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FORM 10-Q
(Quarterly Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q

[x] QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended January 28, 2006

or

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

For the transition period from __________ to____________

Commission File Number 0-3319

DEL GLOBAL TECHNOLOGIES CORP.
(Exact name of registrant as specified in its charter)

New York	13-1784308
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Commerce Park, Valhalla, NY 10595
(Address of principal executive offices) (Zip Code)

914-686-3650
(Registrant's telephone number including area code)

None
(Former name, former address and former fiscal year, if changed since last report)

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

Yes	No
X	

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-25 of the Exchange Act)

Yes	No
	X

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes	No
	X

The number of shares of Registrant's common stock outstanding as of March 14, 2006 was 11,614,266.

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES

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PART I FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Thousands except per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	Jan. 28, 2006	Jan. 29, 2005	Jan. 28, 2006	Jan. 29, 2005
NET SALES	$21,994	$26,609	$38,233	$45,367
COST OF SALES	16,780	19,641	29,284	33,846
GROSS MARGIN	5,214	6,968	8,949	11,521
Selling, general and administrative	3,773	4,396	6,772	7,672
Research and development	429	449	782	822
Litigation settlement costs	--	300	500	300
Total operating expenses	4,202	5,145	8,054	8,794
OPERATING INCOME	1,012	1,823	895	2,727
Interest expense	(384)	(259)	(594)	(681)
Other income/(expense)	(53)	(26)	(40)	(12)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX PROVISION AND MINORITY INTEREST	575	1,538	261	2,034
Income tax provision	524	932	696	1,309
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST	51	606	(435)	725
Minority interest	111	238	108	309
INCOME (LOSS) FROM CONTINUING OPERATIONS	(60)	368	(543)	416
Discontinued operations	--	--	--	199
NET INCOME(LOSS)	$ (60)	$ 368	$ (543)	$ 615
INCOME(LOSS)PER COMMON SHARE-BASIC				
Continuing operations	$ (0.01)	$ 0.04	$(0.05)	$ 0.04
Discontinued operations	--	--	--	0.02
Net income(loss) per basic share	$(0.01)	$ 0.04	$(0.05)	$ 0.06
INCOME (LOSS) PER COMMON SHARE-DILUTED				
Continuing operations	$(0.01)	$ 0.03	$(0.05)	$ 0.03
Discontinued operations	-	--	--	0.02
Net income(loss)per diluted share	$(0.01)	$ 0.03	$(0.05)	$ 0.05
Weighted average number of common				

shares outstanding (in thousands):				
Basic	11,077	10,477	10,854	10,415
Diluted	11,077	11,416	10,854	11,407

See notes to consolidated financial statements

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

ASSETS

	January 28, 2006 (Unaudited)	July 30, 2005 (Audited)
CURRENT ASSETS		
Cash and cash equivalents	$ 1,750	$ 1,466
Trade receivables (net of allowance for doubtful accounts of $1,005 and $1,030 at January 28, 2006 and July 30, 2005, respectively)	15,733	14,218
Inventory	16,186	14,852
Prepaid expenses and other current assets	489	724
Total current assets	34,158	31,260
FIXED ASSETS - Net	6,283	6,485
DEFERRED INCOME TAX ASSET-NON CURRENT	1,223	841
GOODWILL	6,437	1,911
INTANGIBLES - Net	5	38
OTHER ASSETS	328	241
TOTAL ASSETS	$48,434	$40,776

See notes to consolidated financial statements

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY

	January 28, 2006	July 30, 2005

	(Unaudited)	(Audited)
CURRENT LIABILITIES		
Short-term credit facilities	$ 5,151	$ 5,051
Current portion of long-term debt	1,045	783
Accounts payable - trade	12,770	9,258
Accrued liabilities	6,393	5,488
Litigation settlement reserves	305	56
Income taxes payable	67	502
Total current liabilities	25,731	21,138
NON-CURRENT LIABILITIES		
Long-term debt	5,499	4,296
Subordinated note	2,285	2,158
Other long-term liabilities	2,851	2,683
Deferred income tax liabilities - non current	314	--
Total liabilities	36,680	30,275
MINORITY INTEREST IN SUBSIDIARY	--	1,273
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common stock, $.10 par value; Authorized 20,000,000 shares; Issued - 12,245,299 and 11,252,958 at January 28, 2006 and July 30, 2005	1,225	1,125
Additional paid-in capital	67,631	64,448
Accumulated other comprehensive income	1,239	1,450
Accumulated deficit	(52,795)	(52,249)
Less common stock in treasury - 643,533 shares at January 28, 2006 and July 30, 2005	(5,546)	(5,546)
Total shareholders' equity	11,754	9,228
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 48,434	$ 40,776

See notes to consolidated financial statements

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Six Months Ended	
	Jan 28, 2006	Jan. 29, 2005
CASH FLOWS FROM OPERATING ACTIVITIES:		

Income (loss)from continuing operations	$ (543)	$ 416
Adjustments to reconcile net income(loss)to net cash provided by (used in) operating activities:		
Depreciation and amortization	405	651
Imputed interest - Subordinated note	127	65
Minority interest	108	(167)
Stock based compensation expense	127	19
Deferred income tax	68	(118)
Loss on sale of fixed assets	128	34
Litigation settlement provision	500	300
Changes in operating assets and liabilities:		
Increase in trade receivables	(1,719)	(398)
(Increase) decrease in inventory	(1,507)	2,222
(Increase) decrease in prepaid expenses and other current assets	(105)	201
(Increase) decrease in other assets	(88)	45
Increase in accounts payable - trade	3,686	260
Increase (decrease) in accrued liabilities	699	(871)
Payment of litigation settlement costs	(251)	(5,078)
(Decrease) in income taxes payable	(433)	(49)
Increase in other long-term liabilities	217	118
Net cash provided by(used in)operating activities	1,419	(2,350)
Cash Flows from discontinued operations and sale proceeds	--	3,463
CASH FLOWS FROM INVESTING ACTIVITIES:		
Fixed asset purchases	(379)	(119)
Acquisition of minority interest	(2,612)	-
Net cash used in investing activities	(2,991)	(119)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings (repayment) of short-term debt	125	(1,170)
Warrant exercise	2	23
Stock option exercise	205	186
Borrowing of long-term debt	2,000	-
Repayment of long-term debt	(449)	-
Dividend to Villa minority shareholders	--	(509)
Net cash provided by (used in) financing activities	1,883	(1,470)

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Six Months Ended	
	Jan 28, 2006	Jan. 29, 2005
EFFECT OF EXCHANGE RATE CHANGES	(27)	680
NET CHANGE IN CASH AND CASH EQUIVALENTS	284	204
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,466	4,755
CASH AND CASH EQUIVALENTS AT THE END OF		

THE PERIOD	$ 1,750	$ 4,959
	=======	=======
Non-Cash Transactions:		
Financing Activities:		
Acquisition of minority interest	$(2,950)	$ --
Investing Activities:		
Stock issued for purchase of minority interest	$ 2,950	$ --

See notes to consolidated financial statements

DEL GLOBAL TECHNOLOGIES CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share data)
(Unaudited)

1. DESCRIPTION OF THE BUSINESS

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of the results for the interim period have been included. Results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full year. These consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's annual report on Form 10-K filed with the Securities and Exchange Commission for the year ended July 30, 2005. Certain prior years' amounts have been reclassified to conform to the current period presentation.

As of July 31, 2004, the Company's Board had committed to a plan to dispose of its Del High Voltage Division ("DHV") and on October 1, 2004, we sold this division for a purchase price of $3.1 million, plus the assumption of approximately $0.8 million of liabilities. Accordingly, the results of operations have been reclassified to show this division as a discontinued operation.

The Company's fiscal year-end is based on a 52/53-week cycle ending on the Saturday nearest to July 31. Results of the Company's foreign subsidiary, Villa Sistemi Medicali S.p.A. ("Villa"), are consolidated into Del Global's consolidated financial statements based on a fiscal year that ends on June 30 and are reported on a one month lag.

The Company recognizes revenue upon shipment, provided there is persuasive evidence of an arrangement, there are no uncertainties concerning acceptance, the sales price is fixed, collection of the receivable is probable and only perfunctory obligations related to the arrangement need to be completed. The Company's products are covered primarily by one year warranty plans and, in some cases, optional extended warranties for up to five years are offered. The Company establishes allowances for warranties as more fully described in the

Product Warranty footnote herein. The Company recognizes service revenue when repairs or out of warranty repairs are completed. The Company has an FDA obligation to continue to provide repair service for certain medical systems for up to seven years past the warranty period, which are billed to the customers at market rates.

In December 2004, the FASB issued SFAS No. 123 (R), "Share-Based Payments," which established standards for transactions in which an entity exchanges its equity instruments for goods and services. The standard requires a public entity to measure the equity instruments award based on the grant-date fair value. This eliminates the exception to account for such awards using the intrinsic method previously allowed under APB Opinion No. 25. SFAS No 123 (R) has been adopted for fiscal year 2006. The statement does not require restatement of previously

issued statements and is being applied on a prospective basis.

Prior to the adoption of SFAS 123 (R), the Company accounted for stock-based awards to employees using the intrinsic value method of accounting in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." The Company's practice in granting these awards to employees is to set the exercise price of the stock options equal to the market price of our underlying stock on the date of grant. Therefore under the intrinsic value method, no compensation expense is recognized in the Company's Consolidated Statements of Operations.

Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant dates for awards under those plans consistent with the methods recommended by SFAS 123 (R), the Company's net income or loss and net income or loss per share for the three months and six months ended January 29, 2005 would have been stated at the pro forma amounts indicated below:

	Three Months Ended	Six Months Ended
	Jan. 29, 2005	Jan. 29, 2005
Net income - as reported	$ 368	$ 615
Deduct: Total stock-based awards determined under fair value method	(68)	(135)
Proforma Net Income	$ 300	$ 480
Income per share - Basic		
As reported	$ 0.04	$ 0.06
Proforma	$ 0.03	$ 0.05
Income per share - Diluted		
As reported	$ 0.03	$ 0.05
Proforma	$ 0.03	$ 0.04

NEW ACCOUNTING PRONOUNCEMENTS

In November 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 151, "Inventory Costs,

an amendment of ARB No. 43, Chapter 4." This Statement amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the handling costs and wasted material (spoilage), requiring that those items be recognized as current-period charges. In addition, this Statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The Company adopted this statement as of the beginning of the first quarter of fiscal 2006 and effects were not material to its financial statements or results of operations.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets", which eliminates the exception for nonmonetary exchanges of similar

productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS No. 153 became effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company adopted this statement as of the beginning of the first quarter of fiscal 2006 and effects were not material to its financial statements or results of operations.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and SFAS No. 3." This Statement provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle, in the absence of explicit transition requirements specific to the newly adopted accounting principle. This Statement also provides guidance for determining whether retrospective application of a change in accounting principle is impracticable and for reporting a change when retrospective application is impracticable. The correction of an error in previously issued financial statements is not an accounting change. However, the reporting of an error correction involves adjustments to previously issued financial statements similar to those generally applicable to reporting an accounting change retrospectively. Therefore, the reporting of a correction of an error by restating previously issued financial statements is also addressed by this Statement. The Statement is effective for accounting changes made in fiscal years beginning after December 15, 2005. The Company does not believe the adoption of SFAS No. 154 will have a material impact on the Company's financial statements or results of operations.

In March 2005, the FASB issued FASB Interpretation ("FIN") No. 47, "Accounting for Conditional Asset Retirement Obligations." FIN 47 provides guidance relating to the identification of and financial reporting for legal obligations to perform an asset retirement activity. The Interpretation requires recognition of a liability for the fair value of a conditional asset retirement obligation when incurred if the liability's fair value can be reasonably estimated. FIN No. 47 also defines when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. The provision is effective no later than the end of fiscal years ending after December 15, 2005. The Company does not believe the adoption of FIN No. 47 will have a material impact on the Company's financial statements or results of operations.

2. ACQUISITION OF MINORITY INTEREST IN VILLA

On December 23, 2005, the Company acquired the remaining 20% of Villa for $2,612 plus 904,762 restricted shares of Company common stock. These shares were valued at $3.26 a share or $2,950 and are subject to SEC Rule 144 limitations as to holding periods and trading volume limitations. Goodwill in the amount of $4,525 was recorded and $934 of minority interest was reversed after recognition of a $388 dividend. Due to the previous 80% ownership interest existing at the time of the original acquisition, the assets and liabilities of the Villa subsidiary were fully consolidated before the transaction and considered to be at fair market value with no additional adjustments necessary.

3. DISCONTINUED OPERATIONS

On October 1, 2004, the Company completed the sale of DHV for a price of $3,100, plus the assumption of approximately $800 of liabilities. This division was

formerly part of the Power Conversion Group and designed, manufactured and marketed proprietary precision power conversion subsystems for medical as well as critical industrial applications. The results of operations of this division are shown as discontinued operations in the accompanying financial statements.

Certain information is summarized below:

	Quarter Ended Jan. 29, 2005	Six Months Ended Jan. 29, 2005
Revenues	$ -	$7,936
Net income before income tax provision	-	199
Income tax provision	-	-
Income from discontinued operations	-	199

Income from discontinued operations, net for fiscal year 2005, includes two months of operations through the October 1, 2004 disposition date and a gain on sale of the DHV assets of $21.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess of the cost of acquisitions over the fair value of the identifiable assets acquired and liabilities assumed. Under the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets," the Company ceased all goodwill amortization effective August 4, 2002.

During the second quarter of fiscal 2006, the Company acquired the minority interest in the Villa subsidiary (See Note 2 above). This acquisition increased goodwill in the Medical Systems Group by $4,526.

Other intangible assets are the Company's distribution network and non-compete agreements acquired with the purchase of certain assets of a subsidiary. Intangibles are being amortized on a straight-line basis over their estimated useful lives, which range from 5 to 10 years and will become fully amortized during fiscal 2006. The components of our amortizable intangible assets are as follows:

	January 28, 2006		July 30, 2005	
	Gross Carrying Amounts	Accumulated Amortization	Gross Carrying Amounts	Accumulated Amortization
Distribution Network	$ 653	S 648	$ 653	$ 615
Total	$ 653	$ 648	$ 653	$ 615

Amortization expense for intangible assets for the three and six months of

fiscal year 2006 was $17 and $33, respectively, and for fiscal year 2005 was $16 and $32, respectively. Estimated amortization expense for the remainder of 2006 and the five succeeding fiscal years is as follows:

2006 (remainder)	5
2007-2009	None

There are no components of intangible assets that have an indefinite life.

INVENTORY

Inventory is stated at the lower of cost (first-in, first-out) or market. Inventories and their effect on cost of sales are determined by physical count for annual reporting purposes and are evaluated using perpetual inventory records for interim reporting periods. For certain subsidiaries during interim periods we estimate the amount of labor and overhead costs related to finished goods inventories. The estimation methodologies used for interim reporting purposes are described in Management's Discussion and Analysis of Financial Condition and Results of Operations under the subtitle "Critical Accounting Policies".

	January 28, 2006	July 30, 2005
	(Unaudited)	(Audited)
Raw materials and purchased parts	$ 13,497	$ 12,540
Work-in-process	2,443	2,615
Finished goods	3,046	2,714
	18,986	17,869
Less allowance for obsolete and excess inventory	(2,800)	(3,017)
Total inventory	$ 16,186	$ 14,852

PRODUCT WARRANTIES

The Company's products are covered primarily by one-year warranty plans and in some cases optional extended contracts may be offered covering products for periods up to five years, depending upon the product and contractual terms of sale. The Company establishes allowances for warranties on an aggregate basis for specifically identified, as well as anticipated, warranty claims based on contractual terms, product conditions and actual warranty experience by product line.

During the second quarter and first six months of fiscal 2006, the Company incurred costs of $132 and $17, respectively, related to warranty claims submitted and accrued $45 and $32 related to product warranties issued during the three and six months of fiscal 2006, respectively. The liability related to warranties is included in accrued expenses on the accompanying Consolidated Balance Sheets and is $953 and $1,040 at January 28, 2006 and July 30, 2005, respectively.

COMPREHENSIVE INCOME (LOSS)

Comprehensive Income (loss) for the Company includes foreign currency translation adjustments and net income (loss) reported in the Company's Consolidated Statements of Operations.

Comprehensive loss for 2006 and 2005 was as follows:

	Three Months Ended		Six Months Ended	
	Jan. 28, 2006	Jan. 29, 2005	Jan. 28, 2006	Jan. 29, 2005
Net income (loss)	$ (60)	$ 368	$ (543)	$ 615
Foreign currency translation adjustments	(186)	575	(211)	334
Comprehensive income (loss)	$ (246)	$ 943	$ (754)	$ 949

INCOME (LOSS) PER SHARE	Three Months Ended		Six Months Ended	
	Jan. 28, 2006	Jan. 29, 2005	Jan. 28, 2006	Jan. 29, 2005
Numerator:				
Net income (loss)	$ (60)	$ 368	$ (543)	$ 615
Denominator for basic income (loss) per share -				
Weighted average shares outstanding	11,077,034	10,477,034	10,853,611	10,415,080
Effect of dilutive securities	--	939,269	--	991,619
Denominator for diluted loss per share	11,077,034	11,416,303	10,853,611	11,406,699
Income (loss) per common share				
Basic	$ (.01)	$ 0.04	$(0.05)	$ 0.06
Diluted	(.01)	0.03	(0.05)	0.05

Common shares outstanding for the current and prior period ended were reduced by 622,770 shares of treasury stock. The computation of dilutive securities includes the assumed conversion of warrants and employee stock options to purchase common stock. The fiscal 2006 computation of diluted shares outstanding at January 28, 2006, does not include 1,600,994 employee stock options and 940,865 warrants to purchase Company common stock since the effect of their assumed conversion would be anti-dilutive.

SEGMENT INFORMATION

The Company has three reportable segments: Medical Systems Group, Power Conversion Group and Other. The "Other" segment includes unallocated corporate costs. Interim segment information is as follows:

For three months ended January 28, 2006	Medical Systems Group	Power Conversion Group	Other	Total
Net Sales to Unaffiliated Customers	$19,016	$ 2,978	-	$21,994
Cost of sales	14,722	2,058	-	16,780
Gross margin	4,294	920	-	5,214
Operating expenses	2,988	538	676	4,202

Operating income (loss)	$1,306	$ 382	$ (676)	$ 1,012

For three months ended January 29, 2005	Medical Systems Group	Power Conversion Group	Other	Total
Net Sales to Unaffiliated Customers	$22,908	$ 3,701	-	$26,609
Cost of sales	17,113	2,528	-	19,641
Gross margin	5,795	1,173	-	6,968
Operating expenses	2,924	915	1,306	5,145
Operating income (loss)	$2,871	$ 258	$(1,306)	$ 1,823

For six months ended January 28, 2006	Medical Systems Group	Power Conversion Group	Other	Total
Net Sales to Unaffiliated Customers	$31,792	$ 6,441	-	$38,233
Cost of sales	24,883	4,401	-	29,284
Gross margin	6,909	2,040	-	8,949
Operating expenses	5,343	1,105	1,606	8,054
Operating income (loss)	$1,566	$ 935	$(1,606)	$ 895

For six months ended January 29, 2005	Medical Systems Group	Power Conversion Group	Other	Total
Net Sales to Unaffiliated Customers	$38,281	$ 7,086	-	$45,367
Cost of sales	28,915	4,931	-	33,846
Gross margin	9,366	2,155	-	11,521
Operating expenses	5,299	1,449	2,046	8,794
Operating income (loss)	$4,067	$ 706	$(2,046)	$2,727

CONTINGENCIES

STRATEGIC ALTERNATIVES - On March 21, 2005, the Company was notified by Palladio Corporate Finance S.p.A. and Palladio Finaziaria S.p.A. (collectively "Palladio"), the party with whom it signed a non-binding letter of intent for the sale of its Medical Systems Group, that Palladio was terminating negotiations under the letter of intent. The letter of intent provided for a $1.0 million payment payable in the event that no later than March 4, 2005, the

buyer was ready, willing and able to enter into a definitive purchase agreement based on the terms of the letter of intent and containing reasonable and customary representations, warranties, terms and conditions relating to the

transaction, and the Company elected not to enter into such purchase agreement. Palladio filed a lawsuit against the Company and its Del Medical Imaging Corp. subsidiary on April 15, 2005, in the United States District Court, Southern District of New York. The lawsuit sought payment of the $1.0 million, plus interest, as well as reasonable attorney's fees. The Company filed an Answer to this lawsuit on June 8, 2005, contesting Palladio's claim to these damages, and thereafter served discovery requests. At a court conference held on September 28, 2005, the parties agreed to submit to non-binding mediation in an attempt to settle this dispute. A mediation conference was scheduled for November 21, 2005. At this mediation, the Company settled this dispute with Palladio for payments totaling $0.5 million over the following 18 months. The Company recorded a related expense of $0.5 million in the first quarter 2006 operating expenses.

EMPLOYMENT MATTERS - The Company had an employment agreement with Samuel Park, the previous Chief Executive Officer ("CEO"), for the period May 1, 2001 to April 30, 2004. The employment agreement provided for certain payments in the event of a change in control of the Company.

On October 10, 2003, the Company announced the appointment of Walter F. Schneider as President and CEO to replace Mr. Park, effective as of such date. As a result, the Company recorded a charge of $200 during the first quarter of fiscal 2004 to accrue the balance remaining under Mr. Park's employment agreement.

The Company's Board of Directors, elected at the Company's Annual Meeting of Shareholders held on May 29, 2003, had reviewed the "change in control" provisions regarding payments totaling up to approximately $1.8 million under the employment agreement between the Company and its former Chief Executive Officer, Samuel Park. As a result of this review and based upon, among other things, the advice of special counsel, the Company's Board of Directors has determined that no obligation to pay these amounts has been triggered. Prior to his departure from the Company on October 10, 2003, Mr. Park orally informed the Company that, after reviewing the matter with his counsel, he believed that the obligation to pay these amounts has been triggered. On October 27, 2003, the Company received a letter from Mr. Park's counsel demanding payment of certain sums and other consideration pursuant to the Company's employment agreement with Mr. Park, including these change in control payments. On November 17, 2003, the Company filed a complaint against Mr. Park seeking a declaratory judgment that no change in control payment was or is due to Mr. Park and that an amendment to the employment contract with Mr. Park regarding advancement and reimbursement of legal fees is invalid and unenforceable. Mr. Park answered the complaint and asserted counterclaims seeking payment from the Company based on his position that a "change in control" occurred in June 2003. Mr. Park is also seeking other consideration he believes he is owed under his employment agreement. The Company filed a reply to Mr. Park's counterclaims denying that he is entitled to any of these payments. Discovery in this matter was conducted and completed. Following discovery, the Company and Mr. Park filed motions for summary judgment on the issues related to the change in control and amendment to the employment agreement, which motions have been fully submitted to the court for consideration. To date, no decision has been issued by the court on these motions. If Mr. Park prevails on his claims and the payments he seeks are required to be paid in a lump sum, these payments may have a material adverse effect on the Company's liquidity. It is not possible to predict the outcome of these claims; however, the Company's Board of Directors does not believe that such a claim is reasonably likely to result in a material decrease in the Company's liquidity in the foreseeable future.

During fiscal 2004, an Italian subsidiary of the Company began employment termination proceedings against an executive. Subsequently, the executive instituted legal proceedings in the labor court in Italy against the executive's former employer asserting certain monetary claims based on change in control provisions in a letter dated January 10, 2003 to the executive. The court issued a "pay or justify" order directing the Company's subsidiary to pay damages of about euro 306 plus interest and costs. The subsidiary has challenged this order in the Italian labor court. Subsequently, the executive served a writ of summons on the Company as a third party claim against the Company in the litigation pending with the subsidiary in March 2005. The next hearing date in the Italian labor court on this action is scheduled for March 31, 2006. In addition, the executive has brought an action in the Italian labor court for unlawful dismissal under the Italian labor laws against the Company's subsidiary. The subsidiary entered an appearance and filed a counterclaim. In addition, the executive has brought an action in the Italian Corporate courts challenging the subsidiary's removal of the executive as managing director. The executive has not specified any damages in this action and it is in the preliminary stage. The Company believes that the executive's change in control provision has not been triggered and that such executive's termination was justified. However, based on the court's "pay or justify" order to pay euro 306, the Company recorded a charge in fiscal year 2004 of approximately $360, in connection with this matter and which charge is included in litigation Settlement reserves in the accompanying financial statements.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations and the current economic environment. We caution that these statements are not guarantees of future performance. They involve a number of risks and uncertainties that are difficult to predict including, but not limited to, our ability to implement our business plan, retention of management, changing industry and competitive conditions, obtaining anticipated operating efficiencies, securing necessary capital facilities and favorable determinations in various legal and regulatory matters. Actual results could differ materially from those expressed or implied in the forward-looking statements. Important assumptions and other important factors that could cause actual results to differ materially from those in the forward-looking statements are specified in the Company's filings with the Securities and Exchange Commission including our Form 10-K for the fiscal year ended July 30, 2005 and Current Reports on Form 8-K.

OVERVIEW

The Company is primarily engaged in the design, manufacture and marketing of cost-effective medical imaging and diagnostic systems consisting of stationary and portable x-ray systems, radiographic/fluoroscopic systems, dental imaging systems and proprietary high-voltage power conversion subsystems for medical and other critical industrial applications. The Company also manufactures electronic filters, high voltage capacitors, pulse modulators, transformers and reactors, and a variety of other products designed for industrial, medical, military and

other commercial applications. We manage our business in two operating segments: our Medical Systems Group and our Power Conversion Group. In addition, we have a third reporting segment, Other, comprised of certain unallocated corporate General and Administrative expenses. See "Segment Information" in Part I, Item 1 of this Quarterly Report on Form 10-Q for the fiscal quarter ended January 28, 2006(this "Quarterly Report") for discussions of the Company's segments.

As of July 31, 2004, the Company's Board had committed to a plan to dispose of the Del High Voltage Division ("DHV") and on October 1, 2004, we sold this division for a purchase price of approximately $3.1 million, plus the assumption of approximately $0.8 million of liabilities. Accordingly, the results of operations have been restated to show this division as a discontinued operation.

CRITICAL ACCOUNTING POLICIES

Complete descriptions of significant accounting policies are outlined in Note 1 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended July 30, 2005. Within these policies, we have identified the accounting for deferred tax assets and the allowance for obsolete and excess inventory as being critical accounting policies due to the significant amount of estimates involved. In addition, for interim periods, we have identified the valuation of finished goods inventory as being critical due to the amount of estimates involved.

REVENUE RECOGNITION

The Company recognizes revenue upon shipment, provided there is persuasive evidence of an arrangement, there are no uncertainties concerning acceptance, the sale price is fixed, collection of the receivable is probable and only perfunctory obligations related to the arrangement need to be completed. The Company maintains a sales return allowance, based upon historical patterns, to cover estimated normal course of business returns, including defective or out of specification product. The Company's products are covered primarily by one year warranty plans and in some cases optional extended warranties for up to five years are offered. The Company establishes allowances for warranties on an aggregate basis for specifically identified, as well as anticipated, warranty claims based on contractual terms, product conditions and actual warranty experience by product line. The Company recognizes service revenue when repairs or out of warranty repairs are completed. The Company has an FDA obligation to continue to provide repair service for certain medical systems for up to seven years past the warranty period. These repairs are billed to the customers at market rates.

DEFERRED INCOME TAXES

We account for deferred income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," whereby we recognize an asset related to our net operating loss carry forwards and other temporary differences between financial reporting basis and income tax basis. The valuation of our deferred tax assets and the recognition of tax benefits in each period assumes future taxable income and profitability. We periodically evaluate the likelihood of the recoverability of our deferred tax asset recognized, based upon our actual operating results and expectations of future operating profits.

During fiscal year 2004, as part of our customary six month planning and review cycle, management updated each domestic business unit's forecast and operating results, and concluded that it was prudent to record additional valuation allowances, increasing the total valuation allowance to 100% of both long and short-term US domestic deferred tax assets. The valuation allowance recorded is the estimate of the amount of deferred tax assets that are more likely than not

to be unrealized by the Company.

During fiscal 2005 the Company recorded taxable income on a consolidated basis and its individual domestic business units were profitable. However, after factoring in approximately $4.6 million in unallocated costs of the other reporting segment, which are considered domestic costs for income tax purposes, the Company experienced a domestic taxable loss during fiscal 2005. The Company also experienced a domestic net loss for the first six months of fiscal 2006. Accordingly the Company has concluded that it should continue to carry a 100% valuation allowance against domestic deferred tax assets and has not recorded any income tax benefit for this domestic taxable loss during the first six months of fiscal 2006 or during fiscal year 2005.

We recorded a tax provision with respect to the income of Villa in all periods presented and anticipate it is more likely than not the remaining deferred tax asset, which relates to our Villa subsidiary, will be utilized against future timing differences at our Villa subsidiary. We concluded that given our history of receiving dividends from Villa we could no longer assume the income of Villa would be permanently reinvested. As required by FAS 109, we recorded a deferred tax liability related to the undistributed earnings of Villa. However, we can

make no assurances that our Villa subsidiary will generate profits in the future or that future dividends will be received.

OBSOLETE AND EXCESS INVENTORY

We re-evaluate our allowance for obsolete inventory once a quarter, and this allowance comprises the most significant portion of our inventory reserves. The re-evaluation of reserves is based on a written policy, which requires at a minimum that reserves be established based on our analysis of historical actual usage on a part-by-part basis. In addition, if management learns of specific obsolescence in addition to this minimum formula, these additional reserves will be recognized as well. Specific obsolescence might arise due to a technological or market change, or based on cancellation of an order. As we typically do not purchase inventory substantially in advance of production requirements, we do not expect cancellation of an order to be a material risk. However, market or technology changes can occur.

VALUATION OF FINISHED GOODS INVENTORIES

In addition, we use certain estimates in determining interim operating results. The most significant estimates in interim reporting relate to the valuation of finished goods inventories. For certain subsidiaries, for interim periods, we estimate the amount of labor and overhead costs related to finished goods inventories. As of January 28, 2006, finished goods represented approximately 16.0% of the gross carrying value of our total gross inventory. We believe the estimation methodologies used to be appropriate and are consistently applied.

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated net sales of $22.0 million for the second quarter of fiscal 2006 decreased by $4.6 million or 17.3% from the fiscal 2005 second quarter net sales of $26.6 million, with decreases at both the Power Conversion Group and the Medical Systems Group. The Medical Systems Group's second quarter fiscal 2006 sales of $19.0 million declined by $3.9 million or 16.9% from the prior year's second quarter. Domestic sales were below prior year primarily due to the acquisition of a national distribution organization by another distributor. The resultant consolidation and organizational changes at these distributors has resulted in lower Del System sales to the combined entity versus sales to each party in the prior year. Our international operation contributed to lower sales due to an exceptional $4.4 million tender offer sale in the second quarter of

fiscal 2005. The Power Conversion Group's second quarter fiscal 2006 sales of $3.0 million decreased by $0.7 million or 19.5% from last year's levels reflecting weaker government sales, decreased demands from two major customers and prior year late order shipping catch-ups in the second quarter of fiscal 2005.

Consolidated net sales of $38.2 million for the first six months of fiscal 2006 decreased by $7.1 million or 15.7% from fiscal 2005 net sales of $45.4 million, with decreases at both the Power Conversion Group and Medical Systems Group. The Medical Systems Group's sales for the first half of fiscal 2006 of $31.8 million decreased $6.5 million or 17.0% from the prior year's first half, with decreases primarily at international locations, as well as its domestic locations. Internationally, Sales for the prior fiscal period included shipments of $8.8 million under an international Romanian tender order. Further, the exchange rate used for translation of Euro-denominated sales was more advantageous in fiscal year 2005. The Power Conversion Group's sales for the first half of fiscal 2006 of $6.4 million decreased by $0.6 million or 9.1% from the prior years first half levels.

Consolidated backlog at January 28, 2006 was $17.1 million versus backlog at July 30, 2005 of approximately $14.6 million. The backlog in the Power Conversion Group decreased $1.6 million from levels at beginning of the fiscal year while there was a $4.1 million increase in the backlog at our Medical Systems Segment reflecting increases of $0.4 million at our domestic location and $3.7 million at our international location due to increased bookings during the fiscal 2006 period. Substantially all of the backlog should result in shipments within the next 12 months.

Overall, gross margins as a percent of sales were 23.7% for the second quarter of fiscal 2006, compared to 26.2% in the second quarter of fiscal 2005. The Power Conversion Group's gross margins for the second quarter of fiscal 2006 of 30.9%, were below margins of 31.7% in the prior year reflecting decreased shipments in the current quarter. For the Medical Systems Group, second quarter gross margins of 22.6% decreased from the 25.3% level in the prior year second quarter due to unfavorable product mix and volume at both locations.

Gross margins as a percent of sales were 23.4% for the first half of fiscal 2006, compared to 25.4% in the first half of fiscal 2005. The Power Conversion group margins benefited from improvements in procurement, decreased material costs as a percent of sales and lower waste levels, which contributed to a gross margin of 31.7% for the first half of fiscal 2006 as compared to 30.4% for the first half of fiscal 2005. For the Medical Systems Group, first half gross margins of 21.7% were lower than gross margins of 24.4% in the prior year's first six months due to volume reduction and internationally due both to the effect of volume and to higher material expense, due to volume advantages in fiscal 2005 on the Romanian order, and to higher material expense due to mix and to increased raw material prices.

Selling, General and Administrative expenses ("SG&A") for the second quarter of fiscal 2006 were $3.8 million (17.2% of sales) compared to $4.4 million (16.5% of sales) in the prior year's second quarter. The decrease in SG&A in the second quarter of fiscal 2006 reflects reduced corporate legal and accounting costs and reduced selling costs in the Power Conversion Group.

SG&A expenses for the first six months of fiscal 2006 were $6.8 million (17.7% of sales) compared to $7.7 million (16.9% of sales) in the prior year's first half. The decrease in SG&A in the second quarter of fiscal 2006 reflects reduced corporate legal and accounting costs and reduced selling costs in both the Power Conversion Group and the Medical Systems Group.

Litigation settlement costs of $0.5 million recorded for the first quarter of fiscal 2006 were accrued based on a November 2005 settlement of litigation filed

during fiscal 2005 by the potential buyers of the Company's Medical Systems Group. The Company previously disclosed this litigation but had not recorded any affiliated expense during fiscal 2005, as it had no basis at that time upon which to estimate either the outcome or amount of loss.

As a result of the foregoing, we recognized second quarter fiscal 2006 operating income of $1.0 million compared to operating income of $1.8 million in the second quarter of fiscal 2005. The Medical Systems Group posted a second quarter fiscal 2006 operating profit of $1.3 million and the Power Conversion Group had operating profit of $0.4 million, offset by unallocated corporate costs of $0.7 million.

For the first half of fiscal 2006, we recognized operating income of $0.9 million compared to an operating income of $2.7 million in the first half of fiscal 2005. The Medical Systems Group had an operating profit of $1.6 million for the first half of fiscal 2006 and the Power Conversion Group achieved an operating profit of $0.9 million, partly offset by unallocated corporate costs of $1.6 million.

Interest expense for the second quarter of fiscal 2006 was higher than the prior year's second quarter due to increased borrowings and higher interest rates. Interest expense for the first six months of fiscal 2006 was lower than the prior year for the same period due to fees incurred in the prior year in conjunction with modifications to the Company's domestic revolving credit facility in the first quarter of fiscal 2005. In addition, the Company's new credit facility entered into on August 1, 2005, eliminated an unfavorable floor borrowing interest calculation and certain monthly fees that were in effect under the previous lending facility.

The Company has not provided for a U.S. domestic income tax benefit in the second quarter or first half of fiscal 2006. During the three months ended January 28, 2006, we increased our deferred tax liability for foreign taxes related to future dividends and increased deferred tax assets for the elimination of the valuation allowance related to Villa.

As discussed above, Discontinued Operations are related to our DHV division, which was sold on October 1, 2004. The Discontinued operating results for the first quarter of fiscal 2005 reflect income from operations of $0.2 million from the DHV division.

Reflecting the above, we recorded net loss of $0.1 million or $0.01 per share basic and diluted in the second quarter of fiscal 2006, as compared to a net income of $0.4 million, or $0.04 per share basic and $0.03 per share diluted, during the second quarter of fiscal 2005. We recorded a net loss of $0.5 million or $0.05 per share (basic and diluted) in the first half of fiscal 2006, as compared to net income of $0.6 million, or $0.06 per share basic and $0.05 per share diluted during the first half of fiscal 2005.

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

We fund our investing and working capital needs through a combination of cash flow from operations and short-term credit facilities.

Working Capital -- At January 28, 2006 and July 30, 2005, our working capital was approximately $8.4 million and $10.1 million, respectively. At such dates, we had approximately $1.8 million and $1.5 million, respectively, in cash and cash equivalents, the majority of which is at our Villa subsidiary in Italy. As of January 28, 2006, we had approximately $0.8 million of excess borrowing availability under our domestic revolving credit facility compared to $0.5 million at July 30, 2005.

In addition, as of January 28, 2006 and July 30, 2005, our Villa subsidiary had an aggregate of approximately $5.5 and $7.5 million, respectively, of excess borrowing availability under its various short-term credit facilities. Terms of the Italian credit facilities do not permit the use of borrowing availability to directly finance operating activities at our US subsidiaries.

Cash Flows from Operating Activities - For the six month period ended January 28, 2006, the Company provided approximately $1.4 million of cash for operations, compared to a use of $2.4 million in prior fiscal year period. Contributing to cash usage in fiscal 2005 was the payment of a $5.0 million fine related to previously disclosed settlement with the Department of Defense. In fiscal 2005, we received $3.5 million on the disposal and operations of our Del High Voltage subsidiary, which was sold October 1, 2005, and is reflected in discontinued operations.

Cash Flows from Investing Activities -- We have made $0.4 million facility improvements and capital equipment expenditures for the six months ended January 28, 2006 compared to $0.1 million for the comparable prior fiscal year period. In addition we purchased the remaining 20% of our Villa subsidiary for a combination of $2.6 million cash and the issuance of restricted Company common stock which is treated as a non cash transaction in the Statement of Cash Flows.

Cash Flows from Financing Activities -- During the six month period ended January 28, 2006, we borrowed a total of approximately $.1 million of indebtedness on our domestic and Italian borrowings, as compared to $1.2 million in the prior year period. We also borrowed $2.0 million in a domestic term loan as part of our North Fork Facility (see "Credit Facility and Borrowing" below). During the first quarter of fiscal 2005, our Villa subsidiary paid a dividend of approximately $2.5 million, of which $0.5 million was paid to Villa's minority shareholders. The remaining $2.0 million, net of withholding taxes, was an intercompany transaction with the Parent Company and therefore eliminated in the accompanying consolidated financial statements.

The following table summarizes our contractual obligations, including debt and operating leases at July 30, 2005 (in thousands):

Obligations	Total (1)	Within 1 Year	2-3 Years	4-5 Years	After5 Years
Long-Term Debt Obligations..................	$2,172	$ 573	$ 862	$ 588	$ 149
Capital Lease Obligations...................	2,963	210	673	770	1,310
Subordinated Note...........................	2,158	--	2,158	--	--
Interest on long term obligations and note	1,239	601	432	154	52
Operating Lease Obligations.................	776	454	322	-	--
Total Contractual Cash Obligations..........	$9,308	$1,838	$4,447	$1,512	$1,511

(1) In addition, as of July 30, 2005, we had approximately $4.0 million in revolving credit debt in the US and $0.3 million in Italy. The Italian credit facilities are generally renewed on a yearly basis. The Company refinanced the GECC Facility with a combination of a $6 million formula based revolving credit facility and a $2 million term loan entered into with North Fork Bank, as described more fully below.

Credit Facility and Borrowing -- On August 1, 2005, the Company entered into a three-year revolving credit and term loan facility with North Fork Business Capital (the "North Fork Facility") and repaid the GECC Facility. The North Fork

Facility provides for a $6 million formula based revolving credit facility based on the Company's eligible accounts receivable and inventory as defined in the credit agreement. In addition, the Company borrowed $2 million under a term loan facility secured by the Company's Bay Shore, New York building. Interest on the revolving credit borrowings is payable at prime plus 0.5% or alternatively, at a LIBOR rate plus 2.5%. The $2.0 million term loan is repayable in monthly

installments of $17K with a balloon payment of the remaining balance due at the maturity in three years. Interest on the term loan is payable monthly at prime plus 0.75% or a LIBOR rate plus 2.75%. As of January 28, 2006, the Company had $0.8 million of availability under the North Fork Facility, of which North Fork has reserved $1 million against possible litigation settlements as described more fully in Part II "Legal Proceedings" of this Quarterly Report. The North Fork Facility is secured by substantially all of the Company's accounts receivable, inventory and fixed assets in the US.

In anticipation of the maturity of a subordinated note in March 2007, the Credit agreement provides for a sinking fund or a monthly reserve against borrowing availability commencing in March 2006 in the amount of $0.1 million per month, increasing to $0.3 million per month beginning in September 2006. The Company expects to receive a dividend from its Villa subsidiary in September 2006 of approximately $2 million to be used to pay down amounts outstanding under the North Fork facility, in order to maintain sufficient borrowing availability in its US operations to finance its working capital needs although no assurance can be made that such dividend will be received by the Company of at least $2 million or at all. In the event funds generated from US or Villa operations are not anticipated to be sufficient to both fund US operations and create a reserve to repay the estimated $2.7 million principal and accrued interest due upon the maturity of the subordinate note, the Company will seek to refinance the subordinated debt.

During the first quarter of fiscal 2006, the Company was non-compliant with the following covenants: the Adjusted US Earnings, Adjusted Earnings, Senior US Debt Ratio and Fixed Charge Coverage Ratio covenants under the North Fork Facility, due to the operating loss the Company experienced for the first quarter of fiscal 2006. On December 12, 2005, the Company and Northfork Business Capital signed an amendment to the facility that waived the non-compliance with these covenants for the first quarter of fiscal 2006 and adjusted the covenant levels going forward through the maturity of the credit facility.

As of the end of the second quarter of fiscal 2006, the Company was non-compliant with the following covenants: the Adjusted US Earnings, Senior US Debt Ratio, Fixed Charge Coverage Ratio and minimum Tangible Net Worth covenants under the North Fork Facility, due to the operating loss the Company experienced for the second quarter of fiscal 2006. In March 2006, the Company signed a waiver to the facility that waived non-compliance with these financial covenants for the second quarter of fiscal 2006 and waived the non-compliance of a covenant due to a delay in granting the bank a security interest in two-thirds of the shares of Villa required upon consummation of the purchase of the remaining 20% of Villa by the Company. The Company is in discussion with North Fork to address the covenant levels going forward. No assurance can be given that the Company will be able to successfully negotiate an amendment to the Northfork Facility on terms acceptable to the Company or at all.

Our Villa subsidiary is a party to various short-term credit facilities with interest rates ranging from 6% to 14%. These facilities generally renew on a yearly basis and include overdraft, receivables and import export financing facilities. In addition, Villa is a party to various medium-term commercial and Italian Government long-term loans. Medium term facilities have interest rates ranging from 3 to 6%, with principal payable semi-annually through maturity in March 2007, and interest payable quarterly. The Government long-term facilities

have an interest rate of 3.4% with principal payable annually through September

2010. Villa's manufacturing facility is subject to a capital lease obligation, which matures in 2011 with an option to purchase. Villa is in compliance with all related financial covenants under these short and long-term financings.

During fiscal 2005, the Company applied to the Pension Benefit Guaranty Corp. and to the IRS for a determination letter and approval to terminate its frozen defined benefit pension plan. In the fourth quarter of fiscal 2005, the Company recognized a related non-cash charge of approximately $0.5 million to write off the pension assets on its balance sheet in recognition of the formal decision to terminate the plan. In preparation for the plan termination, during fiscal 2005 the Company fully funded the expected cash disbursement of $0.2 million dollars. The Company received the IRS determination letter approving the final settlement during the second quarter of fiscal 2006 and fully paid out all of the plan participants in March 2006.

The Company had an employment agreement with Samuel Park, the previous Chief Executive Officer ("CEO"), for the period May 1, 2001 to April 30, 2004. The employment agreement provided for certain payments in the event of a change in control of the Company. On October 10, 2003, the Company announced the appointment of Walter F. Schneider as President and CEO to replace Mr. Park, effective as of such date. As a result, the Company recorded a charge of $0.2 million during the first quarter of fiscal 2004 to accrue the balance remaining under Mr. Park's employment agreement. The Company's Board of Directors, elected at the Company's Annual Meeting of Shareholders held on May 29, 2003, had reviewed the "change in control" provisions regarding payments totaling up to approximately $1.8 million under the employment agreement between the Company and its former Chief Executive Officer, Samuel Park. As a result of this review and based upon, among other things, the advice of special counsel, the Company's Board of Directors has determined that no obligation to pay these amounts has been triggered. Prior to his departure from the Company on October 10, 2003, Mr. Park orally informed the Company that, after reviewing the matter with his counsel, he believed that the obligation to pay these amounts has been triggered. On October 27, 2003, the Company received a letter from Mr. Park's counsel demanding payment of certain sums and other consideration pursuant to the Company's employment agreement with Mr. Park, including these change in control payments. On November 17, 2003, the Company filed a complaint against Mr. Park seeking a declaratory judgment that no change in control payment was or is due to Mr. Park and that an amendment to the employment contract with Mr. Park regarding advancement and reimbursement of legal fees is invalid and unenforceable. Mr. Park answered the complaint and asserted counterclaims seeking payment from the Company based on his position that a "change in control" occurred in June 2003. Mr. Park is also seeking other consideration he believes he is owed under his employment agreement. The Company filed a reply to Mr. Park's counterclaims denying that he is entitled to any of these payments. Discovery in this matter was conducted and completed. Following discovery, the Company and Mr. Park filed motions for summary judgment on the issues related to the change in control and amendment to the employment agreement, which motions have been fully submitted to the court for consideration. To date, no decision has been issued by the court on these motions. If Mr. Park prevails on his claims and the payments he seeks are required to be paid in a lump sum, these payments may have a material adverse effect on the Company's liquidity. It is not possible to predict the outcome of these claims; however, the Company's Board of Directors does not believe that such claims are reasonably likely to result in a material decrease in the Company's liquidity in the foreseeable future.

On October 1, 2004, the Company completed the sale of its DHV division for $3.1 million plus the assumption of $0.8 million of liabilities as described more fully in the Notes to the Consolidated Financial Statements included in Part I, Item I of this Quarterly Report.

On March 21, 2005, the Company was notified by Palladio Corporate Finance S.p.A. and Palladio Finaziaria S.p.A. (collectively "Palladio"), the party with whom it signed a non-binding letter of intent for the sale of its Medical Systems Group, that Palladio was terminating negotiations under the letter of intent. The letter of intent provided for a $1.0 million payment payable in the event that no later than March 4, 2005, the buyer was ready, willing and able to enter into a definitive purchase agreement based on the terms of the letter of intent and containing reasonable and customary representations, warranties, terms and conditions relating to the transaction, and the Company elected not to enter into such purchase agreement. Palladio filed a lawsuit against the Company and its Del Medical Imaging Corp. subsidiary on April 15, 2005, in the United States District Court, Southern District of New York. The lawsuit sought payment of the $1.0 million, plus interest, as well as reasonable attorney's fees. The Company filed an Answer to this lawsuit on June 8, 2005, contesting Palladio's claim to these damages, and thereafter served discovery requests. At a court conference held on September 28, 2005, the parties agreed to submit to non-binding mediation in an attempt to settle this dispute. A mediation conference was scheduled for November 21, 2005. At this mediation, the Company settled this dispute with Palladio for payments totaling $0.5 million over the following 18 months. The Company recorded a related expense of $0.5 million in the first quarter 2006 operating expenses.

The Company has or had no investments in unconsolidated variable interest entities or other off balance sheet arrangements during any of the periods presented in this Quarterly Report on Form 10-Q.

We anticipate that cash generated from operations and amounts available from credit facilities will be sufficient to satisfy currently projected operating cash needs for at least the next twelve months, and for the foreseeable future.

Item 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not ordinarily hold market risk sensitive instruments for trading purposes. We do, however, recognize market risk from interest rate and foreign currency exchange exposure. There have been no changes in financial market risk as originally discussed in the Company's Annual Report on Form 10-K for the fiscal year ended July 30, 2005.

Item 4 CONTROLS AND PROCEDURES

The Company, under the supervision and with the participation of the Company's management, including Walter F. Schneider, Chief Executive Officer and Mark Koch, Principal Accounting Officer, has evaluated the effectiveness of the design and operation of the Company's "disclosure controls and procedures", as such term is defined in Rules 13a-15e and 15d-15e promulgated under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this Quarterly Report. Based upon that evaluation, the Chief Executive Officer and Principal Accounting Officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Securities Act of 1934, as amended, is recorded, processed,

summarized and reported within the time periods specified in SEC rules and forms.

In the ordinary course of business, the Company routinely enhances its information systems by either upgrading its current systems or implementing new systems. There were no changes in the Company's internal controls or in other factors that could significantly affect these controls, during the Company's second fiscal quarter of 2006 ended January 28, 2006, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

EMPLOYMENT MATTERS - The Company had an employment agreement with Samuel Park, the previous Chief Executive Officer ("CEO"), for the period May 1, 2001 to April 30, 2004. The employment agreement provided for certain payments in the event of a change in control of the Company.

On October 10, 2003, the Company announced the appointment of Walter F. Schneider as President and CEO to replace Mr. Park, effective as of such date. As a result, the Company recorded a charge of $200 during the first quarter of fiscal 2004 to accrue the balance remaining under Mr. Park's employment agreement.

The Company's Board of Directors, elected at the Company's Annual Meeting of Shareholders held on May 29, 2003, had reviewed the "change in control" provisions regarding payments totaling up to approximately $1.8 million under the employment agreement between the Company and its former Chief Executive Officer, Samuel Park. As a result of this review and based upon, among other things, the advice of special counsel, the Company's Board of Directors has determined that no obligation to pay these amounts has been triggered. Prior to his departure from the Company on October 10, 2003, Mr. Park orally informed the Company that, after reviewing the matter with his counsel, he believed that the obligation to pay these amounts has been triggered. On October 27, 2003, the Company received a letter from Mr. Park's counsel demanding payment of certain sums and other consideration pursuant to the Company's employment agreement with Mr. Park, including these change in control payments. On November 17, 2003, the Company filed a complaint against Mr. Park seeking a declaratory judgment that no change in control payment was or is due to Mr. Park and that an amendment to the employment contract with Mr. Park regarding advancement and reimbursement of legal fees is invalid and unenforceable. Mr. Park answered the complaint and asserted counterclaims seeking payment from the Company based on his position that a "change in control" occurred in June 2003. Mr. Park is also seeking other consideration he believes he is owed under his employment agreement. The Company filed a reply to Mr. Park's counterclaims denying that he is entitled to any of these payments. Discovery in this matter was conducted and completed. Following

discovery, the Company and Mr. Park filed motions for summary judgment on the issues related to the change in control and amendment to the employment agreement, which motions have been fully submitted to the court for consideration. To date, no decision has been issued by the court on these motions. If Mr. Park prevails on his claims and the payments he seeks are required to be paid in a lump sum, these payments may have a material adverse effect on the Company's liquidity. It is not possible to predict the outcome of these claims; however, the Company's Board of Directors does not believe that such a claim is reasonably likely to result in a material decrease in the Company's liquidity in the foreseeable future.

During fiscal 2004, an Italian subsidiary of the Company began employment termination proceedings against an executive. Subsequently, the executive instituted legal proceedings in the labor court in Italy against the executive's former employer asserting certain monetary claims based on change in control provisions in a letter dated January 10, 2003 to the executive. The court issued a "pay or justify" order directing the Company's subsidiary to pay damages of about euro 0.3 million plus interest and costs. The subsidiary has challenged this order in the Italian labor court. Subsequently, the executive served a writ of summons on the Company as a third party claim against the Company in the

litigation pending with the subsidiary in March 2005. The next hearing date in the Italian labor court on this action is scheduled for March 31, 2006. In addition, the executive has brought an action in the Italian labor court for unlawful dismissal under the Italian labor laws against the Company's subsidiary. The subsidiary entered an appearance and filed a counterclaim. In addition, the executive has brought an action in the Italian Corporate courts challenging the subsidiary's removal of the executive as managing director. The executive has not specified any damages in this action and it is in the preliminary stage. The Company believes that the executive's change in control provision has not been triggered and that such executive's termination was justified. However, based on the court's "pay or justify" order to pay euro 306, the Company recorded a charge in fiscal year 2004 of approximately $0.4 million, in connection with this matter and which charge is included in Litigation Settlement reserves in the accompanying financial statements.

OTHER LEGAL MATTERS - The Company is a defendant in several other legal actions in various US and foreign jurisdictions arising from the normal course of business. Management believes the Company has meritorious defenses to such actions and that the outcomes will not be material to the Company's consolidated financial statements.

Item 6. EXHIBITS

Exhibits

10.52*	Waiver to Loan and Security Agreement dated as of March 14, 2006 among Del Global Technologies Corp, RFI Corporation and Del Medical Imaging Corp. (Borrowers) and North Fork Business Capital Corporation.
31.1*	Certification of Chief Executive Officer, Walter F. Schneider, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Accounting Officer, Mark Koch,

pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1*	Certification of the Chief Executive Officer, Walter F. Schneider, pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of the Principal Accounting Officer, Mark Koch, pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith

SIGNATURES

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

DEL GLOBAL TECHNOLOGIES CORP.

/s/ Walter F. Schneider

Walter F. Schneider
Chief Executive Officer
and President

/s/ Mark Koch

Mark Koch
Principal Accounting Officer
and Treasurer

Dated: March 14, 2006

Exhibit 10.52

WAIVER

WAIVER, dated as of March 14, 2006 (this "Waiver"), to the Loan and Security Agreement, dated as of August 1, 2005 (the "Loan Agreement"), among Del Global Technologies Corp. ("Del Global"), RFI Corporation and Del Medical Imaging Corp. (collectively, the "Borrowers") and North Fork Business Capital Corporation (the "Lender"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement.

W I T N E S S E T H :

WHEREAS, the Borrowers and the Lender are parties to the Loan Agreement, under which the Lender has agreed to make, and has made, Loans and other extensions of credit and accommodations to the Borrowers on the terms and subject to the conditions set forth therein; and

WHEREAS, the Borrowers have requested that the Lender agree, and the Lender has agreed, to waive Events of Default that have occurred and are continuing upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, the Borrowers and the Lender agree as follows:

SECTION 1. WAIVER AND AGREEMENT. Effective as of the date hereof, the Lender hereby waives compliance with, and any Events of Default arising from breaches of, (i) Sections 8.1(b), 8.3(b), 8.5(b) and 8.6 of the Loan Agreement solely to the extent of the Borrowers' failure to comply with the covenants contained therein for the period ended January 31, 2006 and (ii) Section 7.1(t) of the Loan Agreement. In addition, each Borrower agrees that no portion of the Loans shall bear interest by reference to the LIBOR Rate, and the Administrative Borrower agrees that it shall not request that any portion of the Loans bear interest by reference to the LIBOR Rate, until the Borrowers have complied with all of the Financial Covenants with respect to a period ending on or after April 30, 2006.

SECTION 2. CONDITIONS OF EFFECTIVENESS. This Waiver shall become effective when, and only when, the Lender shall have received (a) counterparts of this Waiver, duly executed by the Borrowers, (b) payment of a $22,500 waiver fee, which fee shall be fully earned and non-refundable when paid, and (c) payment of the costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by the Lender in connection with this Waiver.

SECTION 3. REPRESENTATIONS AND WARRANTIES OF THE BORROWERS. Each Borrower represents and warrants as follows:

(a) Such Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of New York or Delaware, as the case may be, and is qualified to do business under the laws of such other jurisdictions in which its failure to so qualify could have a Material Adverse Effect.

(b) The execution, delivery and performance by such Borrower of this Waiver (i) are within such Borrower's corporate powers, have been duly authorized by all necessary corporate action and do not contravene (A) such Borrower's Governing Documents, (B) any Requirement of Law or (C) any Material Contract and (ii) will not result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by such Borrower.

(c) No authorization, approval or other action by, and no notice to or filing with, any Governmental Authority or other Person is required for the due

execution, delivery and performance by such Borrower of this Waiver.

(d) This Waiver and the Loan Agreement constitute the legal, valid and binding obligations of such Borrower enforceable against such Borrower in accordance with their respective terms except as enforceability may be limited by (i) bankruptcy, insolvency or similar laws affecting creditors' rights generally and (ii) general principles of equity.

(e) Except as specified in Schedule 6.1(r) to the Loan Agreement, there is no pending or, to the best of such Borrower's knowledge after due inquiry, threatened litigation, contested claim, investigation, arbitration or governmental proceeding by or against such Borrower before any court, Governmental Authority or arbitrator which individually or in the aggregate could reasonably be expected to have a Material Adverse Effect or which purports to affect the legality, validity or enforceability of this Waiver or the Loan Agreement.

(f) Except as specified in Section 1 hereof, no Default has occurred and is continuing.

(g) The documents attached as Exhibit A hereto and possession by the Lender in New York of the original stock certificate registered in the name of the Lender, a copy of which is attached as part of Exhibit A hereto, grant the Lender a first priority, fully perfected lien on and security interest in no less than 66% of the capital stock of Villa Sistemi, and such documents are in full force and effect on the date hereof.

SECTION 4. REFERENCE TO AND EFFECT ON THE LOAN AGREEMENT.

(a) On and after the date hereof, each reference in the Loan Agreement to "this Agreement," "hereunder," "hereof," "herein" and words of like import, and each reference in the other Loan Documents to the Loan Agreement shall mean and be a reference to the Loan Agreement as modified hereby.

(b) Except as specifically waived or modified above, (i) the Loan Agreement and each other Loan Document shall remain in full force and effect and are hereby ratified and confirmed by each of the parties hereto and (ii) the Lender shall not be deemed to have waived any rights or remedies it may have under the Loan Agreement, any other Loan Document or applicable law.

(c) The execution, delivery and effectiveness of this Waiver shall not, except as expressly provided herein, operate as a waiver of or an amendment to any right, power or remedy of the Lender under any of the Loan Documents, or constitute a waiver or modification of, or an amendment to, any provision of any of the Loan Documents.

SECTION 5. COSTS AND EXPENSES. The Borrowers agree to pay, on demand, all reasonable out-of-pocket costs and expenses incurred by the Lender in connection with the preparation, negotiation and execution of this Waiver (including, without limitation, the reasonable fees and expenses of counsel to the Lender).

SECTION 6. COUNTERPARTS; TELECOPIED SIGNATURES. This Waiver may be executed in counterparts and by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. This Waiver may be executed and delivered by telecopier or other facsimile transmission with the same force and effect as if the same were a fully executed and delivered original manual counterpart.

SECTION 7. GOVERNING LAW. THE VALIDITY, INTERPRETATION AND ENFORCEMENT OF THIS WAIVER AND ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS WAIVER, WHETHER SOUNDING IN CONTRACT, TORT OR EQUITY OR OTHERWISE, SHALL BE GOVERNED BY THE INTERNAL LAWS (AS OPPOSED TO THE CONFLICTS OF LAW PROVISIONS) AND DECISIONS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Waiver to be executed by their respective officers thereunto duly authorized, as of the date first above written.

DEL GLOBAL TECHNOLOGIES CORP.

By: /s/ Mark Koch

Mark Koch
Treasurer

RFI CORPORATION

By: /s/ Mark Koch

Mark Koch
Treasurer

DEL MEDICAL IMAGING CORP.

By: /s/ Mark Koch

Mark Koch
Treasurer

NORTH FORK BUSINESS CAPITAL CORPORATION

By: /s/ Michael S. Burns

Michael S. Burns
Senior Vice President

CERTIFICATIONS

I, Walter F. Schneider, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Del Global Technologies Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 14, 2006

/s/ Walter F. Schneider

Walter F. Schneider
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Mark Koch, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Del Global Technologies Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 14, 2006

/s/ Mark Koch

Mark Koch
Principal Accounting Officer

Exhibit 32.1

Certification of Chief Executive Officer (1)

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the following certification is being made to accompany the Registrant's Quarterly Report on Form 10-Q for the period ended January 28, 2006:

In connection with the Quarterly Report of Del Global Technologies Corp. (the "Company") on Form 10-Q for the period ended January 28, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Walter F. Schneider, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Walter F. Schneider

Name: Walter F. Schneider
Title: Chief Executive Officer
Date: March 14, 2006

(1) A signed original of this written statement required by Section 906 has been provided to Del Global Technologies Corp. and will be retained by Del Global Technologies Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 32.2

Certification of Principal Accounting Officer (1)

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the following certification is being made to accompany the Registrant's Quarterly Report on Form 10-Q for the period ended January 28, 2006:

In connection with the Quarterly Report of Del Global Technologies Corp. (the "Company") on Form 10-Q for the period ended January 28, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Koch, Principal Accounting Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark Koch

Name: Mark Koch
Title: Principal Accounting Officer
Date: March 14, 2006

(1) A signed original of this written statement required by Section 906 has been provided to Del Global Technologies Corp and will be retained by Del Global Technologies Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.