DRS TECHNOLOGIES INC
Form PRER14A
August 21, 2008

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

# SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 as amendment

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

ý Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

o Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §24.14a-12

**DRS TECHNOLOGIES, INC.**

(Name of Registrant as Specified In Its Charter)

**N/A**

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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**Privileged Copy Subject to Completion**

**DRS TECHNOLOGIES, INC.**
**5 SYLVAN WAY**
**PARSIPPANY, NJ 07054**
**(973) 898-1500**

[ ], 2008

To our Stockholders:

You are cordially invited to attend a special meeting of the stockholders of DRS Technologies, Inc. (the "Company") at [ ] on [ ], 2008, beginning at [ ] local time.

At the special meeting, you will be asked to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of May 12, 2008 among the Company, Finmeccanica Societá per azioni ("Finmeccanica") and Dragon Merger Sub, Inc. ("Sub"), a wholly owned subsidiary of Parent, and approve the merger.

The merger agreement provides for, among other things, the merger of Sub with and into the Company, with the Company as the surviving corporation in the merger and becoming a wholly owned subsidiary of Finmeccanica. If the merger is completed, you will be entitled to receive $81.00 in cash, without interest, less any required withholding tax, for each share of our common stock you own, unless you have properly exercised your appraisal rights.

Our board of directors has, by the unanimous vote of the directors at a meeting duly called and held approved and declared advisable the execution, delivery and performance of the merger agreement and the transactions contemplated by the merger agreement, including the merger, and has determined that the transactions contemplated by the merger agreement are advisable, fair to, and in the best interests of, the Company's stockholders. **Accordingly, our board of directors recommends that you vote "FOR" the adoption of the merger agreement and the approval of the merger.**

The proxy statement attached to this letter provides you with information about the proposed merger and the special meeting. We encourage you to read the entire proxy statement carefully because it explains the proposed merger, the documents related to the merger and other related matters, including the conditions to the completion of the merger. You may also obtain more information about the Company from documents we have filed with the Securities and Exchange Commission.

**Your vote is very important.** The merger cannot be completed unless the merger agreement is adopted and the merger is approved by the affirmative vote of holders of at least a majority of the outstanding shares of our common stock entitled to vote. If you fail to vote on the adoption of the merger agreement and approval of the merger, the effect will be the same as a vote against the adoption of the merger agreement and approval of the merger.

**WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED. ACCORDINGLY, WE URGE YOU TO VOTE, BY COMPLETING, SIGNING, DATING AND PROMPTLY RETURNING THE ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES, OR YOU MAY VOTE THROUGH THE INTERNET OR BY TELEPHONE AS DIRECTED ON THE ENCLOSED PROXY CARD. IF YOU RECEIVE MORE THAN ONE PROXY CARD BECAUSE YOU OWN SHARES THAT ARE REGISTERED DIFFERENTLY, PLEASE VOTE ALL OF YOUR SHARES SHOWN ON ALL OF YOUR PROXY CARDS.**

Voting by proxy will not prevent you from voting your shares in person if you subsequently choose to attend the special meeting.

We look forward to seeing you at the special meeting.

Sincerely,

Mark S. Newman
Chairman of the Board of Directors and
Chief Executive Officer

This proxy statement is dated [ ], 2008 and is first being mailed to stockholders on or about [ ], 2008.

**Preliminary Copy Subject to Completion**

**DRS TECHNOLOGIES, INC.**
**5 SYLVAN WAY**
**PARSIPPANY, NJ 07054**
**(973) 898-1500**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**
**TO BE HELD ON [ ], 2008**

**DEAR STOCKHOLDER:**

The special meeting of stockholders of DRS Technologies, Inc., a Delaware corporation ("DRS" or the "Company"), will be held on [ ], 2008, at the [ ] in order to:

1. consider and vote on a proposal to adopt the Agreement and Plan of Merger (the "merger agreement"), dated as of May 12, 2008, among the Company, Finmeccanica Societá per azioni and Dragon Merger Sub, Inc., a Delaware corporation and wholly-owned subsidiary of Finmeccanica, and approve the merger. A copy of the Agreement and Plan of Merger is attached as Annex A to the accompanying proxy statement.

2. vote on the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the merger agreement and approve the merger.

3. transact such other business as may properly come before the special meeting or any adjournment or postponement thereof.

Only holders of record of shares of our common stock at the close of business on [ ], 2008, the record date for the special meeting, are entitled to notice of the meeting and to vote at the meeting and at any adjournment or postponement thereof. A list of stockholders will be available for inspection by stockholders of record during business hours at the Company's executive offices, 5 Sylvan Way, Parsippany, NJ 07054, for ten days prior to the date of the special meeting and will also be available at the special meeting. All stockholders of record are cordially invited to attend the special meeting in person.

Your vote is important, regardless of the number of shares of stock that you own. The adoption of the merger agreement and approval of the merger require the affirmative vote of the holders of a majority of the outstanding shares of our common stock that are entitled to vote at the special meeting. The proposal to adjourn or postpone the meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of the holders of a majority of the voting power present and entitled to vote at the special meeting, whether or not a quorum is present.

We urge you to read the entire proxy statement carefully. Whether or not you plan to attend the special meeting, please vote by promptly completing the enclosed proxy card and then signing, dating and returning it in the postage-prepaid envelope provided so that your shares may be represented at the special meeting. Alternatively, you may vote your shares of stock through the Internet or by telephone, as indicated on the proxy card. Prior to the vote, you may revoke your proxy in the manner described in the proxy statement. **Your failure to vote will have the same effect as a vote against the adoption of the merger agreement and the approval of the merger.**

Stockholders of the Company who do not vote in favor of the adoption of the merger agreement and the approval of the merger will have the right to seek appraisal of the fair value of their shares of common stock if the merger is completed, but only if they perfect their appraisal rights by complying with all of the required procedures under Delaware law. See "Dissenters' Rights of Appraisal" beginning on page [ ] of the enclosed proxy statement and Annex D to the enclosed proxy.

By Order of the Board of Directors,

Nina Laserson Dunn
Executive Vice President,
General Counsel and Secretary

[ ], 2008

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**SUMMARY**

*The following summary highlights selected information from this proxy statement and may not contain all of the information that is important to you. Accordingly, we encourage you to read carefully this entire proxy statement, its annexes and the documents referred to in this proxy statement. Each item in this summary includes a page reference directing you to a more complete description of that item in this document.*

*Unless we otherwise indicate or unless the context requires otherwise: all references in this document to "Company," "DRS," "we," "our," and "us" refer to DRS Technologies, Inc. and its subsidiaries; all references to "Parent" and "Finmeccanica" refer to Finmeccanica Societá per azioni; all references to "Sub" refer to Dragon Merger Sub, Inc.; all references to "merger agreement" refer to the Agreement and Plan of Merger, dated as of May 12, 2008, among the Company, Parent and Sub, as it may be amended from time to time, a copy of which is attached as Annex A to this document; all references to the "merger" refer to the merger contemplated by the merger agreement; all references to "merger consideration" refer to the per share merger consideration of $81.00 in cash contemplated to be received by the holders of our common stock pursuant to the merger agreement. All other capitalized terms used but not defined in this summary have the meanings ascribed to such terms in the merger agreement. The information contained herein with respect to Finmeccanica and Sub was provided by Finmeccanica to the Company for inclusion in this proxy statement.*

**Parties to the Merger (page [ ])**

*DRS Technologies, Inc.* DRS Technologies, Inc., is a leading supplier of defense electronic products, systems and military support services. We provide high-technology products and services to all branches of the U.S. military, major aerospace and defense prime contractors, government intelligence agencies, international military forces and industrial markets. We focus on several key areas of importance to the U.S. Department of Defense (DoD), such as command and control, intelligence, surveillance, reconnaissance, power management, battlefield digitization, advanced communications and networks, military vehicle diagnostics, troop sustainment and technical support. Incorporated in 1968, we have served the defense industry for over 38 years. We are a leading provider of thermal imaging devices, combat display workstations, electronic sensor systems, power systems, rugged computer systems, air combat training systems, mission recorders, deployable flight incident recorders, environmental and telecommunication systems, aircraft loaders, military trailers and shelters, and integrated logistics support services. Our products are deployed on a wide range of high-profile military platforms, such as DDG-51 Aegis destroyers, M1A2 Abrams Main Battle Tanks, M2A3 Bradley Fighting Vehicles, OH-58D Kiowa Warrior helicopters, AH-64 Apache helicopters, F/A-18E/F Super Hornet and F-16 Fighting Falcon jet fighters, F-15 Eagle tactical fighters, C-17 Globemaster II and C-130 Hercules cargo aircraft, Ohio, Los Angeles and Virginia class submarines, and on several other platforms for military and non-military applications. We have contracts that support future military platforms, such as the DDG-1000 Zumwalt destroyer, CVN-78 next-generation aircraft carrier and Future Combat System. We provide sustainment products that support military forces, such as environmental control systems, power generators, water and fuel distribution systems, chemical/biological decontamination systems and heavy equipment transport systems. We also provide support services to the military, including security and asset protection system services, telecommunication and information technology services, training and logistics support services for all branches of the U.S. armed forces and certain foreign militaries, homeland security forces, and selected government and intelligence agencies.

*Finmeccanica.* Finmeccanica Societá per azioni, which we refer to as "Parent" or "Finmeccanica", the Rome, Italy-based parent entity of a major international group of companies, with main operations in Italy, the United Kingdom and the United States, active in various high technology

and defense sectors. Finmeccanica carries out its activities through six main business divisions: Defense Electronics and Security, which includes delivery of complex integrated systems, homeland defense and security systems, avionics and electro optical equipment and systems, unmanned aerial vehicles, radar systems, land, aerial and naval command and control (C2) and command, control and communication (C3) systems, air traffic control systems, integrated communications systems and networks for land, naval, satellite and avionic applications, and private mobile radio communications systems, value-added services and information technology and security activities; Helicopters, which includes commercial and military helicopters; Aeronautics, which includes military combat, transport and special mission aircraft, civil regional aircraft, military training aircraft, cargo aircraft conversions and maintenance; Space, which includes satellite and space system manufacturing and space based services; Defense Systems, which includes land, naval and air weapons systems, underwater weapons and sonar systems and missile systems; and Energy and Transportation, which includes turn-key energy production plants and components, fuel cell technologies, rail-road and rail-based mass-transport rolling stock, rail signaling systems and complete urban transport systems. Finmeccanica's ordinary shares are listed on Mercato Telematico Azionario, the Italian screen based trading system managed by Borsa Italiana S.p.A, and for the financial year ended December 31, 2007, it reported revenues of approximately €13.4 billion. Finmeccanica employs more than 60,000 people worldwide.

*Dragon Merger Sub, Inc.* Dragon Merger Sub, Inc., which we refer to as "Sub", is a Delaware corporation formed for the sole purpose of completing the merger with the Company. Sub is a wholly owned subsidiary of Finmeccanica.

**The Merger Agreement (page [ ])**

On May 12, 2008, the Company entered into a merger agreement with Finmeccanica and Sub. Upon the terms and subject to the conditions of the merger agreement, Sub will merge with and into the Company, with the Company as the surviving corporation. We will become a direct or indirect wholly-owned subsidiary of Finmeccanica. You will have no equity interest in the Company or Finmeccanica after the effective time of the merger. At the effective time of the merger:

- each share of our common stock, par value $0.01 per share (the "Common Stock"), other than those held by the Company, Finmeccanica or Sub or by any of their wholly-owned subsidiaries, and other than shares with respect to which appraisal rights have been properly exercised, will be cancelled and converted automatically into the right to receive $81.00 in cash, without interest and less any applicable withholding tax;

- each option to purchase our Common Stock outstanding immediately prior to the effective time of the merger, whether or not vested, will be cancelled in exchange for the right to receive a cash payment equal to the product of the number of shares subject to such option multiplied by the excess, if any, of (a) $81.00 per share over (b) the exercise price per share of such option, without interest and less any applicable withholding tax;

- each share of Common Stock subject to a restricted stock award outstanding immediately prior to the effective time of the merger will become fully vested and be converted into the right to receive $81.00 in cash, without interest and less any applicable withholding tax; and

- each restricted stock unit outstanding immediately prior to the effective time of the merger (whether or not vested) will be converted into the right to receive, for each share of Common Stock that would be issuable upon the vesting of such restricted stock unit, $81.00 in cash, without interest and less any applicable withholding tax.

**Certain Effects of the Merger (page [ ])**

If the merger is completed, and you hold shares of Common Stock at the effective time of the merger, you will be entitled to receive $81.00 in cash without interest and less any applicable withholding tax for each share of Common Stock owned by you, unless you have exercised your statutory appraisal rights with respect to the merger. As a result of the merger, the Company will cease to be an independent, publicly traded company. You will not own any shares of the surviving corporation.

**The Special Meeting (page [ ])**

The special meeting will be held on [ ], 2008 starting at [ ], local time at [ ].

**Record Date, Quorum and Voting Power (page [ ])**

Stockholders of record at the close of business on [ ], 2008 are entitled to notice of, and to vote at, the special meeting. On [ ], 2008 the outstanding voting securities consisted of [ ] shares of Common Stock. The presence at the special meeting, in person or by proxy, of the holders of a majority of our Common Stock issued and outstanding will constitute a quorum for the purpose of considering the proposals.

The holders of the Common Stock have one vote per share on all matters on which they are entitled to vote.

**Vote Required for Approval (page [ ])**

The adoption of the merger agreement and approval of the merger requires the affirmative vote of holders of at least a majority of the outstanding shares of Common Stock entitled to vote. Approval of the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of a majority of the Common Stock present in person or by proxy at the special meeting and entitled to vote on the matter, whether or not a quorum is present.

**Voting by Directors and Executive Officers (page [ ])**

As of [ ], 2008, the record date for the special meeting, our current directors and executive officers held, in the aggregate, [ ] shares of Common Stock (excluding options) representing approximately [ ]% of our outstanding Common Stock. Each of our directors and executive officers has informed the Company that he or she intends to vote all of his or her Common Stock "FOR" the adoption of the merger agreement and approval of the merger.

**Recommendation of Our Board of Directors (page [ ])**

Our board of directors, by unanimous vote at a meeting duly called and held, (i) determined that the transactions contemplated by the merger agreement are advisable, fair to, and in the best interests of the Company's stockholders, (ii) approved and declared advisable the execution, delivery and performance of the merger agreement and the transactions contemplated thereby, including the merger, (iii) recommends that our stockholders vote "FOR" adoption of the merger agreement and approval of the merger and (iv) recommends that our stockholders vote "FOR" the approval of any proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies in the event that there are not sufficient votes in favor of approval of the merger agreement at the time of the special meeting.

For a discussion of the material factors considered by the board of directors in reaching their conclusions, see "The Merger Reasons for the Merger; Recommendation of Our Board of Directors" beginning on page [ ].

**Opinion of the Company's Financial Advisor, Bear, Stearns & Co. Inc. (page [ ] and Annex B)**

In connection with the merger, Bear, Stearns & Co. Inc. ("Bear Stearns") delivered to our board of directors a written opinion, dated May 12, 2008, as to the fairness, from a financial point of view and as of May 12, 2008, of the $81.00 per share cash merger consideration contemplated to be received by the holders of our Common Stock pursuant to the merger agreement. The full text of Bear Stearns' written opinion, dated May 12, 2008, which sets forth the assumptions made, matters considered and qualifications to and limitations of the review undertaken in connection with the opinion, is attached as Annex B to this proxy statement and is incorporated by reference in its entirety into this proxy statement. You are encouraged to read the opinion in its entirety. Bear Stearns provided its opinion for the benefit and use of our board of directors in connection with its evaluation of the transaction. **The Bear Stearns opinion does not constitute a recommendation to any stockholder as to how to vote in connection with the merger or otherwise. The Bear Stearns opinion is limited to the transaction described therein and has no bearing on any other transaction in which we might engage. Bear Stearns is acting as financial advisor to the Company in connection with the merger and the Company has agreed to pay Bear Stearns a cash fee equal to 0.45% of the aggregate merger consideration paid by Finmeccanica pursuant to the merger agreement, payable upon completion of the merger. In addition, a fee of $5,000,000 was payable to Bear Stearns upon the rendering of its fairness opinion, which will be credited against the fee payable upon completion of the merger.**

**Opinion of Merrill Lynch, Pierce, Fenner & Smith Incorporated (page [ ] and Annex C)**

In connection with the merger, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") delivered to our board of directors a written opinion, dated May 12, 2008, as to the fairness, from a financial point of view and as of May 12, 2008, of the $81.00 per share merger consideration contemplated to be received by the holders of our Common Stock pursuant to the merger agreement. The full text of Merrill Lynch's written opinion, dated May 12, 2008, which sets forth the assumptions made, some of the matters considered and qualifications to and limitations of the review undertaken in connection with the opinion, is attached as Annex C to this proxy statement and is incorporated by reference in its entirety into this proxy statement. You are encouraged to read the opinion in its entirety. Merrill Lynch has provided its opinion for the benefit and use of our board of directors in connection with its evaluation of the transaction. **The Merrill Lynch opinion does not constitute a recommendation to any stockholder as to how to vote in connection with the merger or otherwise. The Merrill Lynch opinion is limited to the transaction described therein and has no bearing on any other transaction in which we might engage. Merrill Lynch is acting as financial advisor to the Company in connection with the merger and will receive a fee from the Company for its services in the amount of $5 million, of which $2.5 million was payable upon the execution of the merger agreement and $2.5 million is contingent upon the consummation of the merger.**

**Reasons for the Merger (page [ ])**

The merger will enable our stockholders to (1) immediately realize the value of their investment in the Company through their receipt of the $81.00 per share merger consideration contemplated to be received by the holders of our Common Stock pursuant to the merger agreement, representing (i) a premium of approximately 43.92% to the $56.28 average closing price of our Common Stock on the New York Stock Exchange ("NYSE") during the four weeks ending on March 18, 2008, the last trading day before Finmeccanica's proposal of March 18, 2008, (ii) a premium of approximately 27.08% to the $63.74 closing price of our Common Stock on the NYSE on May 7, 2008, the trading day prior to

public reports regarding a potential sale of the Company and (iii) a premium of approximately 4.94% to the $77.19 closing price of our Common Stock on the NYSE on May 12, 2008, the last trading day before the announcement of the merger; and (2) eliminate the risks and uncertainties associated with our future performance.

For these reasons, and the reasons discussed under "The Merger Reasons for the Merger; Recommendation of Our Board of Directors" beginning on page [ ], our board of directors has determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable, fair to, and in the best interests of the Company's stockholders.

**Treatment of Stock Options, Restricted Stock Awards and Restricted Stock Units (page [ ])**

In connection with the merger, each option to purchase our Common Stock outstanding immediately prior to the effective time of the merger whether or not vested will be converted into the right to receive a cash payment equal to the product of the number of shares of Common Stock subject to the option and the excess, if any, of $81.00 over the exercise price per share of such option, without interest and less applicable withholding tax. Each share of Common Stock subject to a restricted stock award outstanding immediately prior to the effective time of the merger shall become fully vested and free of restrictions on transfer and will be converted into the right to receive $81.00 in cash, without interest and less applicable withholding tax. Similarly, each restricted stock unit outstanding immediately prior to the effective time of the merger (whether or not vested) will be converted into the right to receive, for each share of our Common Stock that would be issuable on the vesting of such restricted stock unit, $81.00 in cash, without interest and less applicable withholding tax.

**Restrictions on Solicitations (page [ ])**

We have agreed that we will not:

- solicit, initiate, purposely facilitate or encourage the making of any takeover proposal from any person or group;
- participate in any discussions or negotiations regarding any takeover proposal or furnish any information with respect to, or take any other action to purposely facilitate any inquiries or the making of any proposal that constitutes, or that may reasonably be expected to lead to, any takeover proposal; or
- enter into any agreement with respect to a takeover proposal or resolve, agree or propose to take such actions.

Notwithstanding these restrictions, the merger agreement provides that if we receive an unsolicited takeover proposal from a third party before our stockholder vote, that is, or is reasonably likely to lead to, a superior proposal, the Company may participate in discussions or negotiations regarding the takeover proposal and furnish non-public information to third parties in connection with a takeover proposal provided that we and such third party enter into a confidentiality agreement meeting certain requirements and that we provide advance notice to Finmeccanica in accordance with the merger agreement.

If we receive a superior proposal, the Company or its subsidiaries may enter into an acquisition agreement with respect to such proposal provided that we give Finmeccanica a five business day opportunity to match the superior proposal, and provided that our board of directors continues to believe, after taking into account a revised offer by Finmeccanica, that the takeover proposal is still a superior proposal and the Company pays Finmeccanica a termination fee of $90 million.

**Conditions to the Merger (page [ ])**

*Conditions to Each Party's Obligations.* Each party's obligation to complete the merger is subject to the satisfaction or waiver of the following conditions:

- the approval of the merger by holders of a majority of the outstanding shares of our Common Stock;
- the termination or expiration of the Hart-Scott-Rodino Antitrust Improvements Act ("HSR Act") waiting period and any required approvals by any other applicable governmental entity responsible for applying merger control or antitrust legislation;
- the expiration of the period of time for any applicable review process under Section 721 of the Defense Production Act of 1950, as amended, 50 App. U.S.C. § 2170 (referred to as Exon-Florio), and no action taken by the President of the United States to prevent the consummation of the merger;
- the authorization from the United States Department of Defense for the Company's and its subsidiaries' continued access to certain classified or unclassified controlled information, if applicable; and
- the absence of a restraining order, injunction or law preventing the consummation of the merger.

*Conditions to Finmeccanica and Sub's Obligations.* The obligation of Finmeccanica and Sub to complete the merger is subject to the satisfaction or waiver of the following conditions:

- our representations and warranties being true and correct except where the failure to be so true and correct (without giving effect to any "materiality" or "Company Material Adverse Effect" qualifiers contained therein), individually or in the aggregate, has not and would not reasonably be expected to have a Company Material Adverse Effect (as "Company Material Adverse Effect" is defined below under "The Merger Agreement Representations and Warranties");
- certain of our representations and warranties relating to our compliance with the Foreign Corrupt Practices Act and other applicable international anti-bribery conventions and local anti-corruption and bribery laws and our status and lack of debarment or suspension for 90 days or more in any consecutive twelve-month period with respect to our ability to obtain contracts from the United States government being true and correct as of the effective time of the merger in all respects (if qualified as to materiality or Company Material Adverse Effect), or in all material respects (if not so qualified) and our representations and warranties regarding capitalization being true and correct except for decreases and increases of not more than 0.05%;
- the performance in all material respects by us of all our obligations under the merger agreement; and
- no Company Material Adverse Effect having occurred since the merger agreement was signed.

*Conditions to the Company's Obligations.* Our obligation to complete the merger is subject to the satisfaction or waiver of the following additional conditions:

- the representations and warranties of Finmeccanica and Sub qualified by materiality or Parent Material Adverse Effect being true and correct, and the representations and warranties not so qualified being true and correct except where the failure to be so true and correct would not reasonably be expected to have a Parent Material Adverse Effect (as "Parent Material Adverse Effect" is defined below under "The Merger Agreement Representations and Warranties"); and
- the performance in all material respects by Finmeccanica and Sub of all their obligations under the merger agreement.

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**Financing of the Merger**

The obligations of Finmeccanica and Sub under the merger agreement are not subject to any conditions regarding their or any other person's ability to obtain financing for the consummation of the merger and related transactions. Prior to executing the merger agreement, Finmeccanica and Sub provided the Company with a commitment letter pursuant to which Finmeccanica has received a commitment from financial institutions, on terms specified in the commitment letter, to make available funds to Finmeccanica for the purpose of consummating the merger. On June 19, 2008, Finmeccanica entered into a definitive agreement for the financing pursuant to which the financial institutions made available loan facilities with a maximum total amount of up to Euro 3.2 billion. The syndication of these loan facilities has been successfully completed. In addition, Finmeccanica and Sub have represented in the merger agreement that the aggregate proceeds of the financing contemplated by the commitment letters, together with cash on hand, are sufficient to pay all amounts to be paid by Finmeccanica and Sub in connection with the merger.

**Termination of the Merger Agreement (page [ ])**

The Company and Finmeccanica may agree in writing to terminate the merger agreement without completing the merger at any time. The merger agreement may also be terminated at any time in certain other circumstances, including:

- by Finmeccanica or the Company if:
  - the merger has not been consummated by December 15, 2008 (or, under certain circumstances, January 31, 2009);
  - there is a non-appealable governmental order, decree or ruling restraining, enjoining or otherwise prohibiting the merger; or
  - our stockholders do not adopt the merger agreement and approve the merger at the special meeting or any adjournment or postponement thereof.
- by Finmeccanica if:
  - the Company is in breach of its representations or covenants under the merger agreement, and any such breach would result in the failure of a condition of Finmeccanica's obligation to close and cannot be cured or is not cured within 30 days following written notice to the Company;
  - our board of directors changes, withdraws or modifies its recommendation to our stockholders to vote for the transaction; or
  - having complied with the requirements set forth in the merger agreement relating to certain regulatory approvals and after a reasonable period of discussion with the U.S. government, Finmeccanica reasonably concludes that in order for the Company and/or its subsidiaries to retain facility security clearances necessary to perform existing classified contracts accounting for 35% or more of the Company's total revenue during the immediately preceding fiscal year, the Company and/or its subsidiaries would be required to implement a proxy agreement pursuant to the National Industrial Security Program Operating Manual.
- by the Company if:
  - Finmeccanica is in breach of its representations or covenants under the merger agreement, and any such breach would result in the failure of a condition of our obligation to close and cannot be cured or is not cured within 30 days following written notice to Finmeccanica; or

having complied with the terms of the merger agreement, the Company desires to enter into an agreement with respect to a superior proposal.

**Termination Fee and Expenses (page [ ])**

***Company Termination Fee***

We have agreed to pay a termination fee of $90 million to Finmeccanica if:

- we terminate the merger agreement before our stockholders' meeting in order to enter into an agreement with a third party because our board of directors concluded in good faith after consultation with our advisors that the takeover proposal set forth in such agreement is a superior proposal; or

- Finmeccanica terminates the merger agreement because our board of directors withdraws or modifies in a manner adverse to Finmeccanica or Sub, or resolves, agrees or publicly proposes to withdraw or modify, in a manner adverse to Finmeccanica or Sub, its recommendation that our stockholders adopt the merger agreement and approve the merger or fails to recommend that our stockholders adopt the merger agreement and approve the merger or recommends the approval or adoption of any takeover proposal.

In addition, we have agreed to pay a termination fee of $90 million to Finmeccanica if each of the following occur:

- a takeover proposal has been made to the Company or its stockholders or has otherwise become publicly known; **and**

- the merger agreement is terminated by either party on December 15, 2008 or thereafter (or in certain circumstances, on January 31, 2009 or thereafter) because the merger has not occurred by such time **or** the merger agreement is terminated by either party because our stockholder vote was not obtained; **and**

- within twelve months of termination we enter into an agreement with a third party contemplating the acquisition of 40% or more of the Company's stock or assets.

***Expenses***

All expenses incurred in connection with the merger agreement will be paid by the party incurring such expenses, except as described above.

**Regulatory and Other Governmental Approvals (page [ ])**

***Hart-Scott-Rodino***

The merger is subject to review by the Antitrust Division of the U.S. Department of Justice (the "Antitrust Division" or "DOJ") and the U.S. Federal Trade Commission ("FTC") under the HSR Act. Parent and the Company each have agreed to file promptly their requisite Premerger Notification and Report Forms under the HSR Act with the Antitrust Division and the FTC, which triggers an initial 30-day waiting period during which Finmeccanica cannot acquire or exercise operational control of the Company. This waiting period will expire on the thirtieth day after both parties file their notifications, unless the FTC and DOJ grant the parties' request for early termination of the waiting period or one of the agencies issues a request for additional information or documentary material ("Second Request"). The Company and Finmeccanica have each submitted their respective notifications pursuant to the HSR Act, triggering the initial 30-day waiting period which will expire on August 29, 2008, unless the antitrust agency conducting the review of the transaction grants the parties' request for early termination of the initial waiting period or issues a request for additional information or documentary material. The issuance of a Second Request extends the HSR Act waiting period until Finmeccanica and the Company each certify that it has substantially complied with its own Second Request. Compliance with a Second Request requires both parties to submit responses to detailed interrogatories and broad document requests, which can take up to several months. Once both parties have complied with their Second Requests, the investigating agency has 30 days to complete its review. This second

30-day waiting period can be and often is extended, but only by agreement with the parties. At the close of its review, the investigating agency has the options of closing its investigation without taking any enforcement action, negotiating a consent decree with the parties to resolve any remaining competitive concerns or, if such concerns are deemed not capable of being resolved, instituting a lawsuit in U.S. federal court to enjoin the merger. The Antitrust Division, the FTC, state Attorneys General or private parties may also challenge the merger on antitrust grounds either before or after the transaction has closed. Accordingly, at any time before or after expiration or termination of the HSR Act waiting period or even after the completion of the merger, any of the Antitrust Division, the FTC, state Attorneys General or private parties could take action under the antitrust laws as deemed necessary or desirable in the public or other interest, including without limitation seeking to enjoin the completion of the merger or permitting completion subject to regulatory concessions or conditions.

***CFIUS***

The merger is also subject to review by the Committee on Foreign Investment in the United States ("CFIUS") under the Exon-Florio Amendment, as amended, which provides for national security reviews of foreign acquisitions of U.S. companies that may have an impact on national security. CFIUS notification is voluntary, but provides a means to assure that the President will not exercise his authority to block the transaction or require divestiture after closing. On July 29, 2008, the Company and Finmeccanica submitted a joint voluntary notice to CFIUS.

The transaction will be subject to an initial 30-day review period. It is likely that because of the nature of the Company's business and the Italian government's ownership stake in Finmeccanica, the transaction will be subjected to an additional 45-day investigation period. In certain situations, a report may be sent to the President who then has 15 days to decide whether to block the transaction or to take other action. During the course of the CFIUS review, Finmeccanica and the Company will also work with the Defense Security Service ("DSS") to develop an appropriate structure to mitigate any foreign ownership, control or influence over the operations of the Company in order to comply with the National Industrial Security Program Operating Manual. The U.S. Government recognizes that foreign investment can play an important role in maintaining the viability of the U.S. industrial base. Therefore, it is the stated policy of the U.S. government to allow foreign investment consistent with national security interests. In order to safeguard classified information, it is expected that the Company will enter into a special security agreement ("SSA") that will cover the operations of the Company. In addition, the Company may enter into a proxy agreement that will cover certain operations of the Company.

***OTHER GOVERNMENTAL APPROVALS AND CONSENTS***

Finmeccanica and the Company will file for other U.S. governmental approvals, including by the Department of Defense and other agencies that have determined that the Company is eligible for access to classified information or award of a classified contract pursuant to the National Industrial Security Program, and by the Department of State for export-controlled technologies pursuant to the International Trade in Arms Regulations. Completion of the merger is also conditioned upon the making of certain filings with and notices to, and the receipt of consents, orders or approvals from, various non-U.S. governmental entities relating to their consideration of the effect of the merger on competition in such jurisdictions.

We cannot predict whether we will obtain all required regulatory approvals to complete the merger, or whether any approvals will include conditions that would be detrimental to Finmeccanica or the Company.

**Material U.S. Federal Income Tax Consequences of the Merger to Our Stockholders (page [ ])**

The merger will be a taxable transaction to you if you are a U.S. holder (as defined below). Your receipt of cash in exchange for your shares of our Common Stock generally will cause you to recognize a gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the cash you receive in the merger and your adjusted tax basis in your shares of Common Stock. If you are a non-U.S. holder, your receipt of cash in exchange for your shares of our Common Stock pursuant to the merger generally will not be taxable for U.S. federal income tax purposes, subject to certain conditions.

The U.S. federal income tax consequences described above may not apply to some holders of shares of our Common Stock. Please see the section of this proxy statement titled "The Merger Material U.S. Federal Income Tax Consequences of the Merger to Our Stockholders" for a summary discussion of the material U.S. federal income tax consequences of the merger to U.S. holders and non-U.S. holders. You are urged to consult your tax advisor as to the particular tax consequences of the merger to you, including the tax consequences under federal, state, local, foreign and other tax laws.

**Interests of Certain Persons in the Merger (page [ ])**

In considering the recommendation of our board of directors with respect to the merger, you should be aware that certain of our directors and executive officers have interests in the merger that may be different from, or in addition to, your interests generally. These interests include:

- the ownership by a number of our directors and executive officers of stock options, and by a number of executive officers of restricted stock of the Company;
- interests of our senior executive officers in cash payments to be made upon the closing of the merger, based on the cash severance that would be payable under their respective employment agreements, and interests of a number of our other executives in severance payments under the Company's executive severance plan in the event of a qualifying termination of employment;
- interests of a number of our executive officers in benefits payable under the Company's supplemental executive retirement plan as a result of the merger;
- the agreement by Finmeccanica to cause the surviving corporation to provide for, in lieu of the regularly scheduled long term incentive plan grants that would have been made by the Company in May of 2008 in the absence of the merger agreement, an employee incentive bonus plan in which our executive officers and other selected employees will be eligible to participate after the merger;
- the agreement by Finmeccanica to cause the surviving corporation to provide new employment agreements to our Chief Executive Officer and four other executive officers; and
- the agreement by Finmeccanica to provide our executive officers and directors with indemnification rights and to maintain directors and officers liability insurance following the completion of the merger.

These interests may present them with interests that are different or in addition to those of our stockholders generally. Members of our board of directors were aware of these differing or additional interests and considered them, among other matters, in reaching their decision to approve the merger agreement and the merger and to recommend that you vote in favor of adopting the merger agreement.

**Procedure for Receiving Merger Consideration (page [ ])**

As soon as practicable after the effective time of the merger, a paying agent designated by Finmeccanica, that is reasonably acceptable to the Company, will mail a letter of transmittal and instructions to all Company stockholders. The letter of transmittal and instructions will tell you how to

surrender your Common Stock certificates in exchange for the merger consideration, without interest and less applicable withholding tax. The paying agent will provide stockholders with the consideration due pursuant to the merger agreement as soon as practicable following the receipt of Common Stock certificates in accordance with the instructions set forth in the letter of transmittal. **You should not return any share certificates you hold with the enclosed proxy card, and you should not forward your share certificates to the paying agent without a letter of transmittal.**

**Market Price of Common Stock (page [ ])**

Our Common Stock is listed on the NYSE under the trading symbol "DRS". The closing sale price of Common Stock on May 12, 2008, which was the last trading day before the announcement of the execution of the merger agreement (but after public reports regarding a potential sale of the Company on May 8, 2008), was $77.19 per share. On [ ], 2008, which was the last trading day before the date of this proxy statement, the Common Stock closed at $[ ] per share.

**Dissenters' Rights of Appraisal (page [ ] and Annex D)**

Under Delaware law, if you take or refrain from taking certain specific actions, you are entitled to appraisal rights in connection with the merger. You will have the right, under and in full compliance with Delaware law, to have the fair value of your shares of our Common Stock determined by the Court of Chancery of the State of Delaware. This right to appraisal is subject to a number of restrictions and technical requirements. Generally, in order to exercise your appraisal rights you must:

- send a timely written demand to us at the address set forth on page [ ] of this proxy statement for appraisal in compliance with Delaware law, which demand must be delivered to us before our stockholder vote to approve the merger set forth in this proxy statement;
- not vote in favor of the merger agreement; and
- continuously hold your Common Stock, from the date you make the demand for appraisal through the closing of the merger.

Merely voting against the merger agreement will not protect your rights to an appraisal, which requires all the steps provided under Delaware law. Requirements under Delaware law for exercising appraisal rights are described in further detail beginning on page [ ]. The relevant section of Delaware law, Section 262 of the Delaware General Corporation Law, regarding appraisal rights is reproduced and attached as Annex D to this proxy statement.

If you vote for the merger agreement, you will waive your rights to seek appraisal of your shares of Common Stock under Delaware law. If you fail to properly exercise your appraisal rights in accordance with Section 262 of the Delaware General Corporations Law, upon surrendering your certificates in accordance with the instructions set forth in the letter of transmittal, you will receive the merger consideration of $81.00 per share, without interest and less applicable withholding tax. This proxy statement constitutes our notice to our stockholders of the availability of appraisal rights in connection with the merger in compliance with the requirements of Section 262 of the Delaware General Corporation Law.

## QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

*The following questions and answers are intended to briefly address some commonly asked questions regarding the merger, the merger agreement and the special meeting. These questions and answers may not address all questions that may be important to you as a Company stockholder. Please refer to the "Summary" and the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to or incorporated by reference in this proxy statement, which you should read carefully. See "Where You Can Find Additional Information" beginning on page [ ].*

**Q:**
**What is the proposed transaction?**

A:
The proposed transaction is the acquisition of the Company by Finmeccanica pursuant to the merger agreement. Once the merger agreement has been adopted by our stockholders and other closing conditions under the merger agreement have been satisfied or waived, Sub, a wholly-owned subsidiary of Finmeccanica, will merge with and into the Company. The Company will be the surviving corporation and become a wholly-owned subsidiary of Finmeccanica.

**Q:**
**What will I receive in the merger?**

A:
If the merger is completed and you do not exercise dissenters' rights, you will receive $81.00 in cash, without interest and less any required withholding taxes, for each share of our Common Stock that you own. For example, if you own 100 shares of our Common Stock, you will receive $8,100 in cash in exchange for your shares of Common Stock, less any required withholding taxes. You will not be entitled to receive shares in the surviving corporation.

**Q:**
**When and where is the special meeting?**

A:
The special meeting of the Company's stockholders will be held at [ ], local time, on [ ], 2008, at [ ].

**Q:**
**What matters am I entitled to vote on at the special meeting?**

A:
You are entitled to vote:

- "for" or "against" the adoption of the merger agreement and the approval of the merger;
- "for" or "against" the adjournment or postponement of the meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the merger agreement and approve the merger; and
- on such other business as may properly come before the special meeting or any adjournment or postponement thereof.

**Q:**
**How does the Company's Board of Directors recommend that I vote on the proposals?**

A:
Our board of directors recommends that you vote:

- "FOR" the proposal to adopt the merger agreement and approve the merger; and
- "FOR" adjournment or postponement of the meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the merger agreement.

You should read "The Merger Reasons for the Merger; Recommendation of Our Board of Directors" beginning on page [ ] for a discussion of the factors that our board of directors considered in deciding to recommend the approval of the merger agreement. See also "The Merger Interests of Certain Persons in the Merger" beginning on page [ ].

**Q:**

**What vote of stockholders is required to approve the merger agreement?**

A:

For us to complete the merger, stockholders as of the close of business on the record date for the special meeting holding a majority of the outstanding shares of our Common Stock entitled to vote at the special meeting, must vote "FOR" the adoption of the merger agreement and approve the merger.

**Q:**

**What vote of stockholders is required to adjourn or postpone the meeting, if necessary or appropriate, to solicit additional proxies at the special meeting?**

A:

The proposal to adjourn or postpone the meeting, if necessary or appropriate, to solicit additional proxies requires the approval of holders of a majority of the Common Stock present, in person or by proxy at the special meeting and entitled to vote on the matter, whether or not a quorum is present.

**Q:**

**Who is entitled to vote?**

A:

Stockholders as of the close of business on [ ], 2008, the record date for this solicitation, are entitled to receive notice of, attend and to vote at the special meeting. On the record date, approximately [ ] shares of Common Stock, held by approximately [ ] stockholders of record, were outstanding and entitled to vote. You may vote all shares you owned as of the record date. You are entitled to one vote per share.

**Q:**

**What does it mean if I get more than one proxy card?**

A:

If you have shares of our Common Stock that are registered differently and are in more than one account, you will receive more than one proxy card. Please follow the directions for voting on each of the proxy cards you receive to ensure that all of your shares are voted.

**Q:**

**How do I vote without attending the special meeting?**

A:

If you are a registered stockholder (that is, if you hold shares of our Common Stock in certificated form), you may submit your proxy and vote your shares by returning the enclosed proxy card, marked, signed and dated, in the postage-paid envelope provided, or by telephone or through the Internet by following the instructions included with the enclosed proxy card.

If you hold your shares through a broker, bank or other nominee, you should follow the separate voting instructions provided by the broker, bank or other nominee with the proxy statement. Your broker, bank or other nominee may provide proxy submission through the Internet or by telephone. Please contact your broker, bank or other nominee to determine how to vote.

**Q:**

**How do I vote in person at the special meeting?**

A:

If you are a registered stockholder, you may attend the special meeting and vote your shares in person at the meeting by giving us a signed proxy card or ballot before voting is closed. If you want to do that, please bring proof of identification with you. Even if you plan to attend the meeting, we recommend that you vote your shares in advance as described above, so your vote will be counted even if you later decide not to attend.

If you hold your shares through a broker, bank or other nominee, you may vote those shares in person at the meeting only if you obtain and bring with you a signed proxy from the necessary nominees giving you the right to vote the shares. To do this, you should contact your broker, bank or nominee.

Q:

**Can I change my vote?**

A:

You may revoke or change your proxy at any time before it is voted, except as otherwise described below. If you have not voted through your broker, bank or other nominee because you are the registered stockholder, you may revoke or change your proxy before it is voted by:

- filing a notice of revocation, which is dated a later date than your proxy, with the Company's Secretary;
- submitting a duly executed proxy bearing a later date;
- submitting a new proxy by telephone or through the Internet at a later time, but not later than [ ] p.m. (Eastern Time) on [ ], 2008, or the day before the meeting date, if the special meeting is adjourned or postponed; or
- voting in person at the special meeting.

Simply attending the special meeting will not constitute revocation of a proxy. If your shares are held in "street name," you should follow the instructions of your broker, bank or other nominee regarding revocation or change of proxies. If your broker, bank or other nominee allows you to submit a proxy by telephone or through the Internet, you may be able to change your vote by submitting a new proxy by telephone or through the Internet.

Q:

**If my shares are held in "street name" by my broker, bank or other nominee, will my nominee vote my shares for me?**

A:

Yes, but only if you provide instructions to your broker, bank or other nominee on how to vote. You should follow the directions provided by your broker, bank or other nominee regarding how to instruct your broker, bank or other nominee to vote your shares. Without those instructions, your shares will not be voted.

Q:

**Is it important for me to vote?**

A:

Yes, since we cannot complete the merger without a quorum of the holders of a majority of the shares of our Common Stock present at the special meeting in person or by proxy and the affirmative vote of the majority of the holders of the shares of our Common Stock that are entitled to vote at the special meeting. **Your failure to vote will have the same effect as a vote against the adoption of the merger agreement and approval of the merger.**

Q:

**Will I have appraisal rights as a result of the merger?**

A:

Yes, but only if you comply with the requirements of Delaware law. In order to exercise your appraisal rights, you must follow the requirements of Delaware law. A copy of the applicable Delaware statutory provision is included as Annex D to this proxy statement and a summary of this provision can be found under "Dissenters' Rights of Appraisal" beginning on page [ ] of this proxy statement. You will only be entitled to appraisal rights if you do not vote in favor of the merger and comply fully with certain other requirements of Delaware law, including submitting a notice of your intention to seek appraisal prior to the special meeting.

Q:

**What happens if I sell my shares before the special meeting?**

A:

The record date of the special meeting is earlier than the special meeting and the date that the merger is expected to be completed. If you transfer your shares of Common Stock after the record date but before the special meeting, you will retain your right to vote at the special meeting, but will have transferred the right to receive $81.00 per share in cash to be received by our stockholders in the merger. In order to receive $81.00 per share, you must hold your shares through completion of the merger.

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**Q:**

**Will a proxy solicitor be used?**

A:

Yes. The Company has engaged Innisfree M&A Incorporated to assist in the solicitation of proxies for the special meeting and the Company estimates that it will pay them a fee of up to $50,000, and will reimburse them for reasonable administrative and out-of-pocket expenses incurred in connection with the solicitation.

**Q:**

**Should I send in my stock certificates now?**

A:

No. Assuming the merger is completed, you will receive a letter of transmittal with instructions informing you how to send your share certificates to the paying agent, shortly thereafter, in order to receive the merger consideration, without interest and less any applicable withholding tax. You should use the letter of transmittal to exchange the Company stock certificates for the merger consideration to which you are entitled as a result of the merger. **DO NOT SEND ANY STOCK CERTIFICATES WITH YOUR PROXY.**

**Q:**

**When do you expect the merger to be completed?**

A:

We are working to complete the merger as quickly as possible. In addition to obtaining stockholder approval, all of the conditions to the merger must have been satisfied or waived. We currently expect to complete the merger in the $4^{th}$ calendar quarter of 2008.

**Q:**

**Who can help answer my other questions?**

A:

If you have more questions about the merger or the special meeting, or require assistance in submitting your proxy or voting your shares or need additional copies of the proxy statement or the enclosed proxy card, please contact Innisfree M&A Incorporated, our proxy solicitor, at 1-(877)-687-1866. If your broker, bank or other nominee holds your shares, you should also call your broker, bank or other nominee for additional information.

**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION**

This proxy statement, and the documents to which we refer you in this proxy statement, contain forward-looking statements based on estimates and assumptions. Forward-looking statements include information concerning possible or assumed future results of operations of the Company, the expected completion and timing of the merger and other information relating to the merger. There are forward-looking statements throughout this proxy statement, including, among others, under the headings "Summary," "The Merger," "Projected Financial Information" and in statements containing the words "may," "should," "would," "will," "expect," "could," "anticipate," "believe," "estimate," "plan," "intend," "continue," "contemplate" and similar expressions. You should be aware that forward-looking statements involve known and unknown risks and uncertainties. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that the actual results or developments we anticipate will be realized, or even if realized, that they will have the expected effects on the business or operations of the Company. These forward-looking statements speak only as of the date on which the statements were made and are based on management's current reasonable expectations and are subject to certain assumptions, risks, uncertainties and changes in circumstances due to future events as well as changes in economic, competitive, regulatory and/or technological factors affecting DRS's business, and we undertake no obligation to publicly update or revise any forward-looking statements made in this proxy statement or elsewhere as a result of new information, future events or otherwise. In addition to other factors and matters contained or incorporated in this document, we believe the following factors could cause actual results to differ materially from those discussed in the forward-looking statements:

- the current market price of our Common Stock may reflect a market assumption that the merger will occur, and a failure to complete the merger could result in a decline in the market price of our Common Stock;
- the occurrence of any event, change or other circumstances that could give rise to a termination of the merger agreement;
- under certain circumstances, we may have to pay a termination fee to Finmeccanica of $90 million;
- the inability to complete the merger due to the failure to obtain stockholder approval or the failure to satisfy other conditions to consummation of the merger;
- the inability to complete the merger due to the failure to obtain regulatory approval with respect to the merger, including CFIUS approval and approval of the Defense Security Service;
- the failure of the merger to close for any other reason;
- our remedies against Finmeccanica with respect to certain breaches of the merger agreement may not be adequate to cover our damages;
- the proposed transactions may disrupt current business plans and operations and there may be potential difficulties in attracting and retaining employees as a result of the announced merger;
- due to restrictions imposed in the merger agreement, we may be unable to respond effectively to competitive pressures, industry developments and future opportunities;
- the effect of the announcement of the merger on our business relationships, operating results and business generally; and
- the costs, fees, expenses and charges we have, and may, incur related to the merger, whether or not the merger is completed.

The foregoing sets forth some, but not all, of the factors that could impact our ability to achieve results described in any forward-looking statements. A more complete description of the risks applicable to us is provided in our filings with the SEC available at the SEC's web site at *http://www.sec.gov*, including our most recent filings on Forms 10-Q and 10-K. Investors are cautioned not to place undue reliance on these forward-looking statements. Investors also should understand that it is not possible to predict or identify all risk factors and that neither this list nor the factors identified in our SEC filings should be considered a complete statement of all potential risks and uncertainties. We have no obligation to publicly update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this proxy statement.

## THE PARTIES TO THE MERGER

**DRS Technologies, Inc.**

DRS Technologies, Inc. is a leading supplier of defense electronic products, systems and military support services. We provide high-technology products and services to all branches of the U.S. military, major aerospace and defense prime contractors, government intelligence agencies, international military forces and industrial markets. We focus on several key areas of importance to the U.S. Department of Defense (DoD), such as command and control, intelligence, surveillance, reconnaissance, power management, battlefield digitization, advanced communications and networks, military vehicle diagnostics, troop sustainment and technical support. Incorporated in 1968, we have served the defense industry for over 38 years. We are a leading provider of thermal imaging devices, combat display workstations, electronic sensor systems, power systems, rugged computer systems, air combat training systems, mission recorders, deployable flight incident recorders, environmental and telecommunication systems, aircraft loaders, military trailers and shelters, and integrated logistics support services. Our products are deployed on a wide range of high-profile military platforms, such as DDG-51 Aegis destroyers, M1A2 Abrams Main Battle Tanks, M2A3 Bradley Fighting Vehicles, OH-58D Kiowa Warrior helicopters, AH-64 Apache helicopters, F/A-18E/F Super Hornet and F-16 Fighting Falcon jet fighters, F-15 Eagle tactical fighters, C-17 Globemaster II and C-130 Hercules cargo aircraft, Ohio, Los Angeles and Virginia class submarines, and on several other platforms for military and non-military applications. We have contracts that support future military platforms, such as the DDG-1000 Zumwalt destroyer, CVN-78 next-generation aircraft carrier and Future Combat System. We provide sustainment products that support military forces, such as environmental control systems, power generators, water and fuel distribution systems, chemical/biological decontamination systems and heavy equipment transport systems. We also provide support services to the military, including security and asset protection system services, telecommunication and information technology services, training and logistics support services for all branches of the U.S. armed forces and certain foreign militaries, homeland security forces, and selected government and intelligence agencies.

**Finmeccanica Societá per azioni**

Finmeccanica Societá per azioni, which we refer to as "Parent" or "Finmeccanica", the Rome, Italy-based parent entity of a major international group of companies, with main operations in Italy, the United Kingdom and the United States, active in various high technology and defense sectors. Finmeccanica carries out its activities through six main business divisions: Defense Electronics and Security, which includes delivery of complex integrated systems, homeland defense and security systems, avionics and electro optical equipment and systems, unmanned aerial vehicles, radar systems, land, aerial and naval command and control (C2) and command, control and communication (C3) systems, air traffic control systems, integrated communications systems and networks for land, naval, satellite and avionic applications, and private mobile radio communications systems, value-added services and information technology and security activities; Helicopters, which includes commercial and military helicopters; Aeronautics, which includes military combat, transport and special mission aircraft, civil

regional aircraft, military training aircraft, cargo aircraft conversions and maintenance; Space, which includes satellite and space system manufacturing and space based services; Defense Systems, which includes land, naval and air weapons systems, underwater weapons and sonar systems and missile systems; and Energy and Transportation, which includes turn-key energy production plants and components, fuel cell technologies, rail-road and rail-based mass-transport rolling stock, rail signaling systems and complete urban transport systems. Finmeccanica's ordinary shares are listed on Mercato Telematico Azionario, the Italian screen based trading system managed by Borsa Italiana S.p.A, and for the financial year ended December 31, 2007, it reported revenues of approximately €13.4 billion. Finmeccanica employs more than 60,000 people worldwide.

**Dragon Merger Sub, Inc.**

Dragon Merger Sub, Inc., which we refer to as "Sub", is a Delaware corporation and a wholly owned subsidiary of Finmeccanica, formed for the sole purpose of completing the merger with the Company and has not conducted any business operations except for activities incidental to its formation and as contemplated by the merger agreement. Sub's principal executive offices are located at c/o 1625 I Street, NW, 12th Floor, Washington, District of Columbia 20006, USA, and its phone number is (202) 292-2642. Upon consummation of the proposed merger, Sub will cease to exist and the Company will continue as the surviving corporation, under the name "DRS Technologies, Inc."

## THE SPECIAL MEETING

**Time, Place and Purpose of the Special Meeting**

This proxy statement is being furnished to our stockholders as part of the solicitation of proxies by our board of directors for use at the special meeting to be held on [ ], 2008 starting at [ ], local time, at [ ], or at any postponement or adjournment thereof. The purpose of the special meeting is for our stockholders to consider and vote upon a proposal to adopt the merger agreement and approve the merger, approve the adjournment or postponement of the meeting, if necessary or appropriate, to solicit additional proxies, and to act on such other matters and transact such other business, as may properly come before the meeting. Our stockholders must adopt the merger agreement and approve the merger in order for the merger to occur. If our stockholders fail to adopt the merger agreement and approve the merger, the merger will not occur. A copy of the merger agreement is attached to this proxy statement as Annex A. This proxy statement, the notice of the special meeting and the enclosed form of proxy are first being mailed to our stockholders on or about [ ], 2008.

**Record Date, Quorum and Voting Power**

Stockholders of record at the close of business on [ ], 2008 are entitled to notice of, and to vote at, the special meeting. On [ ], 2008, the outstanding voting securities consisted of [ ] shares of Common Stock. Each share of Common Stock entitles its holder to one vote on all matters properly coming before the special meeting.

A quorum of holders of the Common Stock must be present for the special meeting to be held. Holders of a majority of the Common Stock issued and outstanding and entitled to vote will constitute a quorum for the purpose of considering the proposal regarding adoption of the merger agreement and approval of the merger. If a quorum exists, then holders of a majority of the votes of Common Stock present in person or represented by proxy at the special meeting may adjourn the special meeting. Alternatively, if no quorum exists, then a majority in interest of the stockholders present at the special meeting may adjourn the special meeting. Both abstentions and broker non-votes are counted for the purpose of determining the presence of a quorum.

**Vote Required for Approval**

For us to complete the merger, holders of a majority of the outstanding shares of our Common Stock, entitled to vote at the special meeting, must vote "FOR" the adoption of the merger agreement and approval of the merger. The proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies requires the approval of holders of a majority of the Common Stock present, in person or by proxy at the special meeting and entitled to vote on the matter, whether or not a quorum is present.

In order for your Common Stock to be included in the vote, if you are a registered stockholder (that is, if you hold your Common Stock in certificated form), you must submit your proxy and vote your shares by returning the enclosed proxy, marked, signed and dated, in the postage prepaid envelope provided, or by telephone or through the Internet, as indicated on the proxy card, or you may vote in person at the special meeting.

Under the rules of the NYSE, brokers who hold shares in street name for customers have the authority to vote on "routine" proposals when they have not received instructions from beneficial owners. However, brokers are precluded from exercising their voting discretion with respect to the approval of non-routine matters such as the adoption of the merger agreement and approval of the merger and, as a result, absent specific instructions from the beneficial owner of such shares, brokers are not empowered to vote those shares, referred to generally as "broker non-votes." Abstentions and broker non-votes, if any, will be treated as shares that are present and entitled to vote at the special meeting for purposes of determining whether a quorum exists. **Because adoption of the merger agreement and approval of the merger requires the affirmative vote of the majority of the shares of the Common Stock outstanding on the record date, failures to vote, abstentions and broker non-votes, if any, will have the same effect as votes "AGAINST" adoption of the merger agreement.**

**Voting by Directors and Executive Officers**

As of [ ], 2008, the record date, our current directors and executive officers held and are entitled to vote, in the aggregate, [ ] shares of Common Stock (excluding options), representing approximately [ ]% of the outstanding Common Stock. Each of our directors and executive officers has informed us that he or she currently intends to vote all of his or her shares "FOR" the adoption of the merger agreement and approval of the merger, and "FOR" the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies.

**Proxies; Revocation**

If you vote your shares of Common Stock by returning a signed proxy card by mail, or through the Internet or by telephone as indicated on the proxy card, your shares will be voted at the special meeting in accordance with the instructions given. If no instructions are indicated on your signed proxy card, your shares will be voted "FOR" the adoption of the merger agreement and approval of the merger, "FOR" adjournment or postponement of the meeting, if necessary or appropriate to solicit additional proxies, and in accordance with the recommendations of our board of directors on any other matters properly brought before the special meeting for a vote.

If your shares are held in street name, you should follow the instructions of your broker, bank or other nominee regarding revocation or change of proxies. If your broker, bank or other nominee allows you to submit a proxy by telephone or through the Internet, you may be able to change your vote by submitting a new proxy by telephone or through the Internet.

You may revoke or change your proxy at any time before the vote is taken at the special meeting, except as otherwise described below. If you have not voted through your broker, bank or other

nominee because you are the registered stockholder, you may revoke or change your proxy before it is voted by:

filing a notice of revocation, which is dated a later date than your proxy, with the Company's Corporate Secretary at 5 Sylvan Way, Parsippany, NJ 07054;

submitting a duly executed proxy bearing a later date;

if you voted by telephone or the Internet, by voting a second time by telephone or Internet, but not later than [ ] p.m. (Eastern Time) on [ ], 2008 or the day before the meeting date, if the special meeting is adjourned or postponed; or

by attending the special meeting and voting in person (simply attending the meeting will not constitute revocation of a proxy; you must vote in person at the meeting).

Simply attending the special meeting will not constitute revocation of a proxy. If your shares are held in street name, you should follow the instructions of your broker, bank or other nominee regarding revocation or change of proxies. If your broker, bank or other nominee allows you to submit a proxy by telephone or through the Internet, you may be able to change your vote by submitting a new proxy by telephone or through the Internet.

The Company does not expect that any matter other than the proposal to adopt the merger agreement and approve the merger and, if necessary or appropriate, the proposal to adjourn or postpone the special meeting will be brought before the special meeting. If, however, such a matter is properly presented at the special meeting or any adjournment or postponement of the special meeting, the persons appointed as proxies will have discretionary authority to vote the shares represented by duly executed proxies in accordance with their discretion and judgment.

**Please do NOT send in your share certificates with your proxy card.** If the merger is completed, stockholders will be mailed a transmittal form following the completion of the merger with instructions for use in effecting the surrender of certificates in exchange for the merger consideration.

**Adjournments and Postponements**

Although it is not currently expected, the special meeting may be adjourned or postponed for the purpose of soliciting additional proxies. Any adjournment may be made without notice, other than an announcement made at the special meeting. If a quorum exists, then holders of a majority of the votes of Common Stock present in person or represented by proxy at the special meeting and entitled to vote on the matter may adjourn the special meeting. Alternatively, if no quorum exists, then a majority in interest of the stockholders present at the special meeting in person or represented by proxy and entitled to vote on the matter may adjourn the special meeting. Any signed proxies received by the Company will be voted in favor of an adjournment in these circumstances, although a proxy voted "AGAINST" the proposal for the adjournment or postponement of the special meeting will not be voted in favor of an adjournment for the purpose of soliciting additional proxies. Any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow the Company stockholders who have already sent in their proxies to revoke them prior to their use at the special meeting, reconvened following such adjournment or postponement, in the manner described above. Broker non-votes, if any, will not have any effect on the adjournment or postponement of the special meeting and abstentions, if any, will have the same effect as a vote "AGAINST" the adjournment or postponement of the special meeting.

**Expenses of Proxy Solicitation**

The expenses of preparing, printing and mailing this proxy statement and the proxies solicited hereby will be borne by the Company. Additional solicitation may be made by telephone, facsimile,

e-mail, in person or other contact by certain of our directors, officers, employees or agents, none of whom will receive additional compensation therefor. We will reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses for forwarding material to the beneficial owners of shares held of record by others. The Company has also engaged Innisfree M&A Incorporated to assist in the solicitation of proxies for the meeting and we estimate that we will pay them a fee of up to $50,000, and will reimburse them for reasonable administrative and out-of-pocket expenses incurred in connection with such solicitation.

**Questions and Additional Information**

If you have more questions about the merger or how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card or voting instructions, please call our proxy solicitor:

**Innisfree M&A Incorporated**
**501 Madison Avenue, 20th Floor**
**New York, NY 10022**
**Banks and Brokers Call: (212) 750-5833**
**All Others Call Toll Free: 1-(877) 687-1866**

## THE MERGER

*This discussion of the merger is qualified in its entirety by reference to the merger agreement, which is attached to this proxy statement as Annex A. You should read the entire merger agreement carefully as it is the legal document that governs the merger.*

### Background of the Merger

As part of its ongoing evaluation of our business and its strategic planning, our board of directors has periodically discussed and reviewed our strategic goals and alternatives, performance and prospects. In connection with our strategic planning, we have made four acquisitions in recent years. From time to time over the years we have been approached by third parties about our interest in a sale of the Company, including a proposal from L-3 Communication Holdings, Inc. in 2004 to acquire all of our stock at a proposed price of $42.00 in cash per share that the board of directors determined was not in the best interest of our stockholders. Since that time, other than as described herein, no such third party initiative has led to active negotiations.

The defense electronics industry has a relatively limited number of significant participants and principals of such companies know each other from industry events such as seminars, fairs, shows and other industry-wide events. Mr. Mark S. Newman, Chairman and Chief Executive Officer of the Company, and Mr. Pier Francesco Guarguaglini, Chairman and Chief Executive Officer of Finmeccanica, have met socially at such events and, as is customary among principals, discussed trends and developments in our industry. During June of 2007 at the Paris Air Show, Mr. Newman and Mr. Guarguaglini had general discussions regarding, among other things, the consolidation trend in the industry. Occasional conversations regarding that trend, as well as generic discussion on the vision of each chief executive with respect to the future of their companies, occurred between them later that year at unplanned meetings and events. On July 27, 2007, Mr. Newman received a letter from Mr. Guarguaglini stating his desire to continue discussions on possible joint opportunities involving Finmeccanica and the Company.

On October 16, 2007, Ms. Nina L. Dunn, Executive Vice President, General Counsel and Secretary of the Company, received a call from the law firm of Arnold & Porter LLP, or A&P, on behalf of its client, Finmeccanica. A&P informed Ms. Dunn that its client expressed an interest in exploring a potential strategic transaction with the Company. Ms. Dunn, who knew A&P from its prior representation of the Company, informed A&P that she would share that information with Mr. Newman. After discussing the matter with Mr. Newman, Ms. Dunn informed A&P that she would be in Washington D.C. later that month and that visit would provide an opportunity to learn more about Finmeccanica's interest in the Company. During the subsequent meeting, Ms. Dunn was informed that Finmeccanica was interested in acquiring our Company in a transaction that would be attractive to our stockholders and that members of Finmeccanica's senior management would be interested in engaging in discussions with representatives of the Company to that effect.

As further described below, from October 2007 through March 2008 Mr. Newman and Ms. Dunn, separately and together, engaged in a number of discussions and meetings with senior members of the management of Finmeccanica or their representatives. Mr. Newman informed members of the Company's board of directors, both informally and more formally at meetings of the board, about such discussions. For the most part these discussions focused on the business and prospects of the Company, as well as the appropriate process to pursue the Finmeccanica interest.

On December 7, 2007, Mr. Newman and Ms. Dunn met in D.C. with Mr. Guarguaglini and an individual security technology consultant retained by Finmeccanica to assist in exploring a strategic transaction with the Company. The discussions revolved mostly around the process that Finmeccanica and the Company would undertake to explore whether there would be a mutual interest in a strategic transaction. The same persons met on January 30, 2008 and discussed their preliminary interest in

exploring a potential strategic transaction. The Company and Finmeccanica executed a Non Disclosure Agreement, or NDA, on that date. In early February the Company contacted Skadden, Arps, Slate, Meagher & Flom LLP, or Skadden Arps (the Company's regular corporate outside counsel), to act as legal advisor of the Company in connection with any proposed transaction with Finmeccanica. Mr. Mark N. Kaplan, the lead independent member of our board of directors, serves as of counsel to Skadden Arps.

On February 7, 2008, at a regular meeting of our board of directors, Mr. Newman recounted his and Ms. Dunn's interactions with Finmeccanica and its representatives during the previous months and informed the members of our board that he anticipated that Finmeccanica would soon deliver a written indication of interest with proposed terms for a potential strategic transaction between the two companies. Our board discussed the merits of exploring the interest expressed by Finmeccanica and supported Mr. Newman's continued discussions to gather more information in connection with the terms of a potential proposal by Finmeccanica.

Through February and March 2008 the Company anticipated receiving a written indication of Finmeccanica's interest, including details in connection with the proposed structure and price thereof. Prior to receiving the written indication of interest, Mr. Newman and Ms. Dunn discussed with senior representatives of Finmeccanica the Company's expectations in connection with price and other terms, which generally were in line with the price and terms contained in the non-binding indication of interest delivered by Finmeccanica to the Company on March 18, 2008.

On March 6, 2008, Mr. Newman received a letter from another foreign corporation in the industry, Thales SA ("Thales"), expressing an interest in a business combination with the Company. The letter was general in nature and did not include price or other terms. In light of the progression of the Finmeccanica discussions over the preceding six months, the expectation of receiving a written proposal shortly from Finmeccanica, senior management's belief at that time, based upon the advice of its consultant, The Cohen Group, that the CFIUS regulatory approval process for Finmeccanica could be easier than the process for Thales, and the lack of specificity in the Thales letter, the interest by Thales was not pursued and Thales did not follow up its interest until just before the signing of the merger agreement, as further described below. In addition, senior management believed that if Finmeccanica learned that the Company was pursuing an inquiry from or discussions with another party, this fact could lead to the termination of discussions by Finmeccanica. In addition, senior management believed that if Finmeccanica learned the Company was pursing an inquiry from or discussions with another party, this fact could have led to the termination of discussions by Finmeccanica. Senior management's belief was reinforced by Finmeccanica's previously expressed interest in negotiating exclusively with the Company. When the Company declined to enter into an exclusivity agreement, Finmeccanica responded that it expected the Company would be pursuing discussions only with Finmeccanica in good faith. Based on its experience in other transactions, the Company's management understood this to mean that Finmeccanica would discontinue negotiations if it learned that the Company was pursuing discussions with another party. The Company's management believed that proceeding on that basis was reasonable, as management did not want to lose the Finmeccanica opportunity and the Company would require in any agreement it reached with Finmeccanica that the Company be given the right to terminate its agreement with Finmeccanica on customary terms if the Company were able to obtain a superior deal with a third party, thereby allowing the Company to meet its fiduciary obligations to its shareholders.

In mid-March, Mr. Newman and Ms. Dunn were invited to and attended meetings with senior management of Finmeccanica in Rome. During the meetings, Finmeccanica gave a presentation detailing its world-wide operations and the strategic plans of Finmeccanica, including the potential merger with the Company.

On March 18, 2008, the Company received a non-binding indication of interest from Finmeccanica to purchase all of our outstanding shares of Common Stock for approximately $75.00 in cash per share

through a merger and expressing its desire to retain management upon consummation of any such transaction. The indication of interest reflected the fact that the transaction would not be subject to any financing condition. The proposed merger consideration included in this indication of interest represented a premium of 34.65% from the $55.70 closing price of the Company's Common Stock on March 17, 2008, the last trading day before the proposal was made. The indication of interest was subject to due diligence. The indication of interest was subject to due diligence and stated that Finmeccanica expected to be informed of any third party proposal to acquire the Company. There was concurrent discussion with Ms. Dunn of a proposed break up fee of $150 million in certain events, including a sale of the Company to a third party involving a superior proposal. Mr. Newman was prepared to recommend the $75.00 per share price and related terms to the Company's board of directors, subject to receiving financial advice and a fairness opinion from a financial advisor to be retained by the Company, in order to proceed to a definitive merger agreement.

Our board of directors held a special meeting on March 24, 2008 to review the written indication of interest received from Finmeccanica. The Board considered, among other things, the fact that the price per share offered by Finmeccanica constituted a significant premium over the recent trading price of the Company's Common Stock. After carefully evaluating potential benefits and risks, including the significant premium being offered by Finmeccanica and the difficulty of finding attractive acquisitions in the future, and therefore maintaining the Company's growth rate, the board of directors authorized management to engage in detailed discussions with Finmeccanica, subject to the review and authorization by the board of directors of any decision to proceed with a sale of the Company and the final terms of the transaction.

On March 25, 2008, the Company discussed with Denis Bovin and Michael Urfirer of Bear, Stearns & Co. Inc., or Bear Stearns, the potential transaction with Finmeccanica and the Company's interest in retaining Bear Stearns to act as financial advisor to the Company in connection with any such transaction. The Company was familiar with Messrs. Bovin and Urfirer because of their prior representation of the Company and particularly respected Mr. Bovin's experience and views with respect to transactions in the defense sector. In view of the pending acquisition of Bear Stearns, the Company sought to retain Messrs. Bovin and Urfirer, whether they remained at Bear Stearns or left for an affiliation elsewhere. The Company later retained Merrill Lynch, Pierce, Fenner & Smith Incorporated, or Merrill Lynch, to also act as a financial advisor to the Company and to provide a fairness opinion to the board of directors in connection with the proposed transaction; the Company was familiar with Merrill Lynch because of Merrill Lynch's prior representation of the Company. The Company, from time to time, also consulted with The Cohen Group, a Washington D.C. based consulting firm regarding their views of the potential perceptions in the industry and with certain regulators and customers of a transaction with Finmeccanica.

During late March and early April 2008, the Company assembled non-public information, and made this information available to Finmeccanica through an electronic data site. The Company continued to supplement the available non-public information through May 12, 2008. The Company's senior management held meetings with members of Finmeccanica management to discuss the Company's business, operations, plans, budgets and forecasts, and to answer questions posed by Finmeccanica regarding these matters. During the balance of April 2008, Finmeccanica conducted additional diligence on the Company.

On April 17, 2008, A&P delivered to the Company an initial draft merger agreement with proposed terms in connection with a merger between a subsidiary of Finmeccanica and the Company. During the next few weeks, the Company and its advisors exchanged drafts of the merger agreement and engaged in discussions with Finmeccanica and its advisors regarding such proposed terms.

On April 29, 2008, at a special meeting, our board of directors received an update from management and reviewed, with the assistance of the Company's legal counsel, the draft agreement provided by Finmeccanica and the principal areas of concern of various board members, including the

process and relative likelihood of approval of the potential transaction by governmental authorities. Legal advisors noted the principal areas of concern with the Finmeccanica proposed merger agreement. The board of directors provided instruction to management and the Company's legal and financial advisors in connection with the negotiation with Finmeccanica and its advisors. Negotiations between the Company and Finmeccanica and their respective advisors in connection with the detailed terms of a potential transaction continued during the following weeks. Our board of directors met in the following days to review the progress of discussions between Finmeccanica and the Company.

On May 7, 2008, the Company received a letter from a domestic corporation in the industry ("Company Y") expressing its interest in a business combination with the Company. This letter did not include price or other terms. In light of the state of the discussions with Finmeccanica the interest by Company Y was not pursued.

On May 8, 2008, several publications of wide circulation disseminated stories about a potential transaction between Finmeccanica and the Company. Later that day the Company issued a press release stating that it was engaged in discussions contemplating a potential strategic transaction but no assurance could be given that any agreement would be reached.

On the evening of May 9, 2008, the Company received a letter with a "preliminary proposal" from Thales reiterating its interest in a business combination with the Company pursuant to which Thales would be prepared to make a cash offer as high as $85 per share, or higher. The Company believed that after the results of confirmatory due diligence by Thales, it is possible that the offer could also be subject to downward adjustment. A special telephonic meeting of the board of directors was already scheduled for 10:00 a.m. the next morning, Saturday May 10, at which the Finmeccanica offer was to be discussed at length, together with financial presentations by each of Bear Stearns and Merrill Lynch.

During the board meeting of May 10, Mr. Newman updated the directors on the status of the discussions with Finmeccanica and the May 9 letter from Thales. The board members had received the latest draft of the proposed merger agreement with Finmeccanica, together with a written summary of its terms. After discussion of the status and anticipated timing of the Finmeccanica offer, the board of directors discussed the proposal delivered by Thales, including, among other things:

- the price per share referenced by Thales;
- the lack of information in the letter as to financing plans and conditions generally;
- the uncertainties associated with the diligence process, including the risk that Thales could lower the price offered upon completion of due diligence, especially in light of the difference between financial projections available in the market from sources other than the Company and management's most recent projections, which were lower than those available in the market;
- the relative risks associated with obtaining governmental approvals in connection with a transaction with Thales, as compared to a transaction with Finmeccanica, as well as the lack of specific information in the May 9 letter as to how Thales would propose to operate the Company after completion of a merger to address mitigation of Foreign Ownership Control and Influence by Thales; and
- uncertainty of the decision making process within Thales and the fact that Thales itself described its proposal as preliminary.

The directors reviewed, with the assistance of the Company's legal counsel, their fiduciary duties when considering the status of the transaction with Finmeccanica and their responsibilities in light of the proposal received from Thales and the overture from Company Y. The outside directors also considered the proposed terms of an employment agreement that was being negotiated between Mr. Newman and Finmeccanica.

Mr. Newman expressed his belief that there was a significant risk of Finmeccanica withdrawing its proposal if the Company pursued an alternative transaction with another strategic party. The Company's legal and financial advisors, including special Delaware counsel and regulatory counsel at Skadden Arps invited to participate at the meeting, answered various questions from the directors. The outside directors met in executive session to further discuss the situation by themselves.

After the conclusion of the meeting and in accordance with the board's directives, Bear Stearns and Merrill Lynch communicated with the financial advisor to Thales in order to obtain more details and information in connection with the terms and conditions of its proposal and its ability to consummate a transaction, including with respect to the availability of cash and/or financing sources, level of approval within the corporate organization of Thales, and its ability to proceed promptly. The Company's financial advisors learned that the indication of interest had not yet been discussed with the board of directors of Thales, the financing arrangements had not been determined or fully discussed with its banks, there was no proposal for achieving governmental approvals similar to that proposed by Finmeccanica, and it would take Thales a few weeks to finalize its due diligence and be in a position to deliver a definitive proposal or to confirm the price per share suggested in its May 9 letter.

Following the May 10 board meeting, the Company and its advisors continued to engage in active negotiations to finalize the terms of the merger agreement with Finmeccanica and its advisors. As part of those negotiations, representatives of Bear Stearns and Merrill Lynch discussed with Finmeccanica's financial advisors the Company's receipt the night before of a competing written proposal and the fact that it included a price, and that per share price was higher than the proposed transaction with Finmeccanica, subject to due diligence. The board believed that informing Finmeccanica of the Thales preliminary proposal was appropriate given the terms of that proposal, the stage of the negotiations and the terms of Finmeccanica's March 18 letter. In the context of that negotiation, the Company's representatives sought an increased price per share from Finmeccanica and suggested that certain changes in the terms of the proposed merger agreement would be looked upon favorably by the Company's board of directors. Finmeccanica responded favorably to the specified changes, which included:

- a reduction of the termination fee payable by the Company in certain circumstances (including a permitted change of recommendation by our board of directors in light of a superior proposal) from $150 million, it being believed by the Company's board of directors that the lower fee was more appropriate in the context of the overtures received by the Company and, based on advice from the Company's financial advisors, would not preclude an interested third party from making a proposal after the signing of a transaction with Finmeccanica;

- an extension of the outside date beyond December 15, 2008 in case all conditions had been satisfied or waived except for the CFIUS approval; and

- an agreement by Finmeccanica that it would be willing to place a higher percentage of the operations of the Company under a proxy agreement if required by the DoD to consummate the transaction or that Finmeccanica would so agree as long as it would not reasonably be expected to have a material adverse effect on Finmeccanica and its subsidiaries taken as a whole.

While senior management remained concerned that any perceived pursuit of negotiations with Thales might cause Finmeccanica to withdraw its offer, it believed the May 9 letter from Thales, which unlike Thales' March 6 letter, included a price, required management to seek more detail from Thales as to the terms of its preliminary proposal. As noted above, the Company also believed it was appropriate to inform Finmeccanica of the Thales May 9 letter. These discussions with Thales and Finmeccanica allowed the Company to clarify the uncertainties in the Thales proposal and to obtain additional benefit for its shareholders in the definitive agreement with Finmeccanica.

On May 11, 2008, Mr. Newman was informed in a telephone call that Finmeccanica was prepared to increase the merger consideration to $81 per share and the Company separately received a letter from Finmeccanica confirming a number of changes to the proposed merger agreement: namely, the reduction of the breakup fee to $90 million, an extension of the outside date to January 31, 2009 in case all conditions had been satisfied or waived except for the CFIUS approval, and its agreement to place operations representing up to 35% of the Company's revenues under a proxy agreement if required by the DoD to consummate the merger.

In light of, among other things, the significant increase in purchase price, the reduction in the breakup fee, the progress made in the negotiations with Finmeccanica, the expectation that the merger agreement was at a state where it could be finalized after the board meeting and in view of the uncertainties associated with the proposal submitted by Thales, management was prepared to recommend approval of the merger by the Company's board of directors.

At 10:00 a.m. on May 12, 2008, the board of directors in a regular meeting with the presence by invitation of members of management and representatives of the Company's legal and financial advisors, discussed the latest developments in connection with the May 9 letter from Thales and the negotiations on the merger agreement with Finmeccanica. It was reported to our board of directors that the merger agreement and related agreements were in substantially final form. The board of directors discussed the resolution of the issues with Finmeccanica over the weekend, including receipt of a letter from Finmeccanica confirming the revised price of $81 per share, which the board viewed favorably. Upon confirmation that the issues raised by the board had been satisfactorily resolved, the meeting of the board of directors continued and, among other things:

Representatives of Bear Stearns provided its financial analyses and rendered to the board of directors its opinion, which was confirmed by delivery of a written opinion dated May 12, 2008, to the effect that, as of that date, and based upon and subject to the assumptions, matters considered, qualifications and limitations set forth in its written opinion, the $81.00 per share cash merger consideration to be received by the holders of the Common Stock pursuant to the merger agreement was fair, from a financial point of view, to such holders, as discussed in "Opinion of the Company's Financial Advisors" beginning on page [ ]. Such opinion is attached hereto as Annex B;

Representatives of Merrill Lynch provided its financial analyses and rendered to the board of directors its opinion, which was confirmed by delivery of a written opinion dated May 12, 2008, to the effect that, as of that date, and based upon and subject to the assumptions, matters considered, qualifications and limitations set forth in its written opinion, the $81.00 per share cash consideration to be received in the merger by the holders of the Common Stock was fair, from a financial point of view, to such holders, as discussed in "Opinion of the Company's Financial Advisors" beginning on page [ ]. Such opinion is attached hereto as Annex C;

Our board of directors discussed positive and negative factors and risks to be considered in connection with the transaction, including the "Reasons for the Merger" beginning on page [ ]; and

Following careful consideration of the proposed merger agreement, our board of directors, by unanimous vote, determined that the transactions contemplated by the merger agreement negotiated with Finmeccanica were fair to and in the best interests of the Company's stockholders, approved and declared advisable the execution, delivery and performance of the merger agreement and the transactions contemplated by the merger agreement, including the merger, and resolved to recommend that the Company's stockholders adopt the merger agreement and approve the merger.

**Reasons for the Merger; Recommendation of Our Board of Directors**

Our board of directors by unanimous vote at the meeting, held on May 12, 2008, (i) determined that the transactions contemplated by the merger agreement are fair to, and in the best interests of, the Company's stockholders, (ii) approved and declared advisable the execution, delivery and performance of the merger agreement and the transactions contemplated thereby, including the merger, (iii) resolved to recommend that our stockholders adopt the merger agreement, approve the merger, and vote "FOR" the approval of any proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies in the event that there are not sufficient votes in favor of approval of the merger agreement at the time of the special meeting, and (iv) took all necessary steps so that the provisions of Section 203 of the DGCL and any "moratorium", "control share acquisition", "business combination", "fair price" or other form of anti-takeover laws or regulations of any jurisdiction that may purport to be applicable to the merger agreement do not apply to the execution and delivery of the merger agreement and the transactions contemplated thereby.

In reaching these determinations, our board of directors considered a variety of business, financial and market factors, based upon, among other items, (i) the board of directors' familiarity with the business and operations of the Company and the industry in which it operates, (ii) management reports and presentations regarding the Company and its properties and assets, financial condition, competitive position, business strategy and prospects, (iii) economic and market conditions, both on an historical and on a prospective basis and (iv) a careful review of the terms and conditions of the transaction set forth in the merger agreement, including the positive factors set forth below:

- the fact that the $81.00 per share in cash, to be received by the Company's stockholders in connection with the merger represented a premium to historic trading prices, including (1) a premium of approximately 45.42% over the closing sale price of $55.70 on the New York Stock Exchange on March 17, 2008, the last trading day before the March 18 proposal was made by Finmeccanica, (2) a premium of approximately 27.08% over the closing sale price of $63.74 on the New York Stock Exchange on May 7, 2008, the last trading day before stories about a potential transaction between Finmeccanica and the Company were published, and (3) a premium of approximately 43.92% over the average closing sale price of $56.28 during the four weeks ending on March 18, 2008, the last trading day before the March 18 proposal was made by Finmeccanica;

- the relative certainty of the Finmeccanica transaction in comparison with the perceived risks associated with the preliminary proposal presented by Thales, including risks related to certainty of consummation of a transaction, risks related to timing of consummation of a transaction, risks related to price variation after the completion of due diligence, the absence of committed financing for a transaction, and the relative risks associated with the regulatory approval process based upon the lack of a specific plan addressing such approval process;

- the judgment of the board of directors that entering into negotiations with any other party, including Thales and Company Y, would significantly endanger the offer received from Finmeccanica;

- the opinion of Bear Stearns, dated May 12, 2008, to the effect that, as of its date and based upon and subject to the assumptions, matters considered, qualifications and limitations set forth therein, the $81.00 per share cash merger consideration to be received by the holders of the Common Stock pursuant to the merger agreement is fair, from a financial point of view, to the stockholders of the Company. The full text of the Bear Stearns opinion is attached to this proxy statement as Annex B, which sets forth the assumptions made, matters considered and qualifications to and limitations of the review undertaken in connection with the opinion. The Company and our board of directors encourage you to read the opinion carefully and in its

entirety, as well as the section below entitled "The Merger Opinion of the Company's Financial Advisors";

the opinion of Merrill Lynch, dated May 12, 2008, to the effect that, as of that date and based upon the assumptions made, matters considered and limits of review set forth in its written opinion, the consideration to be received by holders of our Common Stock pursuant to the merger was fair, from a financial point of view, to those holders. The full text of the Merrill Lynch opinion is attached to this proxy statement as Annex C, which sets forth the assumptions, matters considered, qualifications and limitations on the scope of review undertaken by Merrill Lynch. The Company and our board of directors encourage you to read the opinion carefully and in its entirety, as well as the section below entitled "The Merger Opinion of the Company's Financial Advisors";

the risk that value available to the Company's stockholders on their investment based upon Finmeccanica's offer could be significantly reduced in the short term in the absence of a transaction;

the possible alternatives to the sale of the Company, including continuing to operate the Company on a stand-alone basis, compared to the certainty provided by the merger to our stockholders of realizing a fair value in cash for their investment;

the risk that achieving the growth sustained by the Company in prior years may become more difficult in light of the Company's greater size and the reduced opportunity for promising acquisitions as a result of the consolidation within the Company's industry;

the board of directors' concern that defense spending could be reduced after the upcoming national election, which in turn could affect the Company's profitability;

the fact that the consideration to be received by our stockholders in connection with the merger is all in cash, allowing the Company's stockholders to immediately realize fair value, in cash, for their investment, while also providing stockholders reasonable certainty of the value for their shares;

the financial and other terms and conditions of the merger agreement and the fact that they were the product of extensive negotiations between the parties, including:

> the fact that the Company is permitted to furnish information to and conduct negotiations with third parties that make an unsolicited competing proposal (as defined in the section entitled "The Merger Agreement Restrictions on Solicitation") in certain circumstances;
>
> the fact that the Company is permitted to terminate the merger agreement in order to recommend a competing proposal proposed by a third party that is a superior proposal (as defined in the section entitled "The Merger Agreement Restrictions on Solicitation"), upon the payment to Finmeccanica of a $90 million termination fee (see "The Merger Agreement Termination of the Merger Agreement" and "The Merger Agreement Termination Fee and Expenses");

the board of director's understanding, after consultation with the Company's legal and financial advisors, that the $90 million termination fee which may become payable (and the circumstances when such fee is payable) in the event that the merger agreement is terminated under certain other circumstances is reasonable in light of the facts and circumstances surrounding the merger, and benefits of the merger, commercial practice and transactions of this size and nature; more particularly, the board noted that the termination fee of $90 million equals approximately $2.00 per share, or approximately 2.5% of the aggregate consideration being paid for the shares by Finmeccanica and approximately 1.8% of the enterprise value of the Company, taking into account the Company's debt being assumed by Finmeccanica.

the fact that there would be no financing conditions to the consummation of the merger and that Finmeccanica had already received a written financing commitment letter from several banks;

the likelihood that the merger will be completed, including consideration of Finmeccanica's willingness to operate the business of the Company after consummation of the merger pursuant to a proposed FOCI mitigation plan (see "The Merger Regulatory and Other Governmental Approvals CFIUS");

Finmeccanica's willingness to operate the Company as a stand alone subsidiary under the direction of its current management, without the need for any divestitures or contemplated layoffs, which, among other things, allows for continued servicing of and commitment to the United States military and the Company's other customers, at the same high standard and skill level;

the fact that Finmeccanica generally committed to provide to employees of the Company and its subsidiaries, through and including December 31, 2009, with compensation and benefits that, in the aggregate, are substantially comparable to the compensation and benefits provided immediately prior to the effective time of the merger; and that Finmeccanica is prepared to make cash payments under existing employment agreements with certain of our senior executives and negotiate new employment agreements with such executives, as described below in more detail in "The Merger Interests of Certain Persons in the Merger";

the fact that, other than the acceleration of the vesting of options to acquire Common Stock held by each director (in connection with the acceleration of vesting of all options), and

customary terms of the merger agreement providing for indemnification and liability insurance (for six years from and after the effective time of the merger) for directors and officers, the directors will not receive any consideration in connection with the merger that is different from that received by any other stockholder of the Company, except that, in the case of Mr. Newman (and certain other members of management who are not directors), he will also receive certain change of control payments in his non-director capacity as the Company's chief executive officer, as described below in "The Merger Interests of Certain Persons in the Merger";

the limited number and nature of the conditions to Finmeccanica's obligations to consummate the merger and the limited risk of non-satisfaction of these conditions;

the fact that our stockholders will have an opportunity to vote on the merger agreement and the availability of appraisal rights to such stockholders who comply with all requirements under Delaware law (see "Dissenters' Rights of Appraisal" and Annex D); and

the fact that Finmeccanica is a well known entity with significant financial capacity and the expectation of the board of directors that the transaction would likely not face significant hurdles in Italy.

The board of directors also considered potentially negative factors concerning the merger agreement and the merger, including the following:

the risk that the merger might not be completed in a timely manner or at all, and the risks and costs to the Company if the merger does not close, including the diversion of management and employee attention, potential employee attrition and the potential effect on business and customer relationships;

the fact that an all cash transaction generally would be a taxable transaction to the Company's stockholders for U.S. federal income tax purposes;

the fact that the Company's stockholders will not have the opportunity to participate in future earnings or growth of the Company and will not benefit from future appreciation in value of the Company, if any;

the fact that entering into the merger agreement precludes the Company from affirmatively pursuing and negotiating a proposal for a higher value from Thales;

the risk that entering into the merger agreement may result in the loss of interest by other parties, including Thales and Company Y, to make a definitive proposal for the acquisition of the whole Company at a price that may be higher than the $81.00 to be received by our stockholders upon consummation of the merger;

the customary restrictions on the conduct of the Company's business prior to the completion of the merger, requiring the Company to conduct its business in all material respects only in the ordinary course, subject to specific limitations, which may delay or prevent the Company from undertaking business opportunities that may arise pending completion of the merger;

the requirement of the Company to pay Finmeccanica a $90 million termination fee under specified circumstances and the possibility that such termination fee may discourage a competing proposal to acquire the Company;

the possibility of management and employee disruption associated with the merger and the potential effect on our businesses and customer relationships; and

the condition to Finmeccanica's obligation to consummate the merger agreement that there shall not have occurred a Company material adverse effect.

The factors above constitute the material factors considered by our board of directors. Our board of directors considered all of the factors listed above as a whole and decided that in their totality such factors support the decision that our board of directors approve, adopt and authorize the merger

agreement, the merger and the other transactions contemplated therein. The discussion of the information and factors considered by our board of directors is not intended to be exhaustive and may not include all of the factors considered by the board of directors. In view of the wide variety of factors considered by our board of directors, and the complexity of these matters, our board of directors did not find it practicable and did not quantify, rank or otherwise assign relative or specific values to any of the above factors or the other factors considered by it. In addition, our board of directors did not reach any specific conclusion on each factor considered, but conducted an overall analysis of these factors. Individual members of our board of directors may have given different weight to different factors.

Our board of directors considered all of the factors listed above as a whole and decided that in their totality such factors support the decision to approve, adopt and authorize in all respects the merger agreement, the merger and the other transactions contemplated therein and to recommend that our stockholders vote "FOR" the adoption of the merger agreement.

**Our board of directors recommends that you vote "FOR" the adoption of the merger agreement and "FOR" the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.**

**Opinion of Bear Stearns and Co. Inc.**

***Overview***

Pursuant to an engagement letter dated May 11, 2008, the Company retained Bear Stearns to act as its financial advisor with respect to a possible transaction with Finmeccanica or any other potential acquiror. In selecting Bear Stearns, the Company's board of directors considered, among other things, the fact that Bear Stearns is an internationally recognized investment banking firm with substantial experience advising companies in the aerospace/defense industry as well as substantial experience providing strategic advisory services, and Bear Stearns' familiarity with the Company from its prior representation of the Company in transactions. Bear Stearns, as part of its investment banking business, is continuously engaged in the evaluation of businesses and their debt and equity securities in connection with mergers and acquisitions, underwritings, private placements and other securities offerings, senior credit financings, valuations and general corporate advisory services.

At the May 12, 2008 meeting of the Company's board of directors, Bear Stearns delivered its oral opinion, which was subsequently confirmed in writing, that, as of May 12, 2008, and based upon and subject to the assumptions, qualifications and limitations set forth in the written opinion, the $81.00 per share consideration to be received in the merger was fair, from a financial point of view, to the holders of our Common Stock.

**The full text of Bear Stearns' written opinion is attached as Annex B to this proxy statement and you should read the opinion carefully and in its entirety. The opinion sets forth the assumptions made, some of the matters considered and qualifications to and limitations of the review undertaken by Bear Stearns. The Bear Stearns opinion, which was authorized for issuance by the Fairness Opinion and Valuation Committee of Bear Stearns, is subject to the assumptions and conditions contained in the opinion and is necessarily based on economic, market and other conditions and the information made available to Bear Stearns as of the date of the Bear Stearns opinion. Bear Stearns has no responsibility for updating or revising its opinion based on circumstances or events occurring after the date of the rendering of the opinion.**

In reading the discussion of the fairness opinion set forth below, you should be aware that Bear Stearns's opinion:

- was provided to the Company's board of directors for its benefit and use in connection with its consideration of the merger;
- did not constitute a recommendation to the board of directors of the Company;

- does not constitute a recommendation to any stockholder of the Company as to how to vote in connection with the merger;

- did not address the Company's underlying business decision to pursue the merger, the relative merits of the merger as compared to any alternative business or financial strategies that might exist for the Company or the effects of any other transaction in which the Company might engage; and

- did not express any view or opinion as to the fairness, financial or otherwise, of the amount or nature of any compensation payable to or to be received by any of the Company's officers, directors or employees, or any class of these persons, in connection with the merger relative to the consideration to be received by the stockholders of the Company pursuant to the merger.

The Company did not provide specific instructions to, or place any limitations on, Bear Stearns with respect to the procedures to be followed or factors to be considered by it in performing its analyses or providing its opinion.

In connection with rendering its opinion, Bear Stearns:

- reviewed a draft of the merger agreement in substantially final form;

- reviewed the Company's Annual Reports to Shareholders and Annual Reports on Form 10-K for the fiscal years ended March 31, 2005, 2006 and 2007, its Quarterly Reports on Form 10-Q for the periods ended June 30, 2007, September 30, 2007 and December 31, 2007, its preliminary results for the quarter ended and year ended March 31, 2008 and its Current Reports on Form 8-K filed since March 31, 2007;

- reviewed certain operating and financial information relating to the Company's business and prospects, including projections for the five years ending March 31, 2013, all as prepared and provided to Bear Stearns by the Company's management;

- met with certain members of the Company's senior management to discuss the Company's business, operations, historical and estimated financial results and future prospects;

- reviewed the historical prices, trading multiples and trading volume of the common shares of the Company;

- reviewed certain publicly available financial data, stock market performance data and trading multiples of companies which Bear Stearns deemed generally comparable to the Company;

- reviewed the terms of certain relevant mergers and acquisitions involving companies that Bear Stearns deemed generally comparable to the Company;

- performed discounted cash flow analyses based on the projections for the Company furnished to Bear Stearns by the Company; and

- conducted those other studies, analyses, inquiries and investigations as Bear Stearns deemed appropriate.

In connection with rendering its opinion, Bear Stearns further noted that:

- Bear Stearns relied upon and assumed, without independent verification, the accuracy and completeness of the financial and other information provided to it by the Company or obtained by Bear Stearns from public sources, including, without limitation, the projections referred to above.

With respect to the projections, Bear Stearns relied on representations that they had been reasonably prepared on bases reflecting the best then-currently available estimates and judgments of the senior management of the Company as to the expected future performance of the Company.

Bear Stearns did not assume any responsibility for the independent verification of any information referred to above, including, without limitation, the projections; Bear Stearns expressed no view or opinion as to the projections and the assumptions upon which they were based; and Bear Stearns further relied upon the assurances of the senior management of the Company that they were unaware of any facts that would have made the information and projections incomplete or misleading.

In arriving at its opinion, Bear Stearns did not perform or obtain any independent appraisal of the assets or liabilities (contingent or otherwise) of the Company, nor was Bear Stearns furnished with any such appraisals.

During the course of Bear Stearns' engagement, Bear Stearns was not asked by the board of directors of the Company to solicit indications of interest from any third parties regarding a transaction with the Company.

Bear Stearns assumed that the transactions contemplated by the merger agreement will be consummated in a timely manner and in accordance with the terms of the merger agreement without any limitations, restrictions, conditions, amendments or modifications, regulatory or otherwise, that collectively would have a material effect on the Company.

Bear Stearns is not a legal, regulatory, tax or accounting expert and has relied on the assessments made by the Company and its advisors with respect to these issues.

Bear Stearns did not express any opinion as to the price or range of prices at which the shares of Common Stock of the Company may trade subsequent to the announcement of the merger.

***Summary of Analyses***

The following is a summary of the principal financial and valuation analyses performed by Bear Stearns and presented to the Company's board of directors in connection with rendering Bear Stearns's fairness opinion.

Some of the financial and valuation analyses summarized below include summary data and information presented in tabular format. In order to understand fully the financial and valuation analyses, the summary data and tables must be read together with the full text of the summary. Considering the summary data and tables alone could create a misleading or incomplete view of Bear Stearns's financial and valuation analyses.

*Transaction Valuation Overview*

Based on the transaction price of $81.00 per share, Bear Stearns reviewed the implied (i) transaction enterprise value/forward revenue multiples, (ii) multiples of transaction enterprise value to forward earnings before interest, taxes, depreciation and amortization, or EBITDA, and (iii) transaction equity value/forward net income multiples with respect to the merger. Bear Stearns also calculated the transaction price premiums in relation to various Company stock prices that were based on (i) the unaffected stock price as of May 7, 2008 (the day prior to the Wall Street Journal reporting a potential merger), (ii) the 10-day, 30-day and 90-day average prices and volume-weighted average prices as of May 7, 2008 and (iii) the 52-week high and 52-week low prices as of May 7, 2008.

**Transaction Premia and Implied Transaction Multiples**

| | DRS Stock Price @ 5/7/08 | |
|---|---|---|
| **Transaction Price per Share** | | **$ 81.00** |
| **Acquisition Premium/(Discount) Relative to:** | | |
| Unaffected Stock Price | $ 63.74 | 27.1% |
| 10-Day Average Price | 62.56 | 29.5 |
| 10-Day Volume-Weighted Average Price | 62.92 | 28.7 |
| 30-Day Average Price | 60.24 | 34.5 |
| 30-Day Volume-Weighted Average Price | 60.78 | 33.3 |
| 90-Day Average Price | 56.07 | 44.5 |
| 90-Day Volume-Weighted Average Price | 56.43 | 43.5 |
| 52-Week High Price | 64.72 | 25.2 |
| 52-Week Low Price | 45.85 | 76.7 |
| **Transaction Enterprise Value/CY 2008E Revenue:** | | |
| DRS Management Estimates | | 1.52x |
| Wall Street Consensus Estimates | | 1.51 |
| **Transaction Enterprise Value/2009E Revenue:** | | |
| DRS Management Estimates | | 1.46x |
| Wall Street Consensus Estimates | | 1.40 |
| **Transaction Enterprise Value/CY 2008E EBITDA:** | | |
| DRS Management Estimates | | 11.7x |
| Wall Street Consensus Estimates | | 11.4 |
| **Transaction Enterprise Value/CY 2009E EBITDA:** | | |
| DRS Management Estimates | | 11.2x |
| Wall Street Consensus Estimates | | 10.3 |
| **Transaction Equity Value/2008E Net income:** | | |
| DRS Management Estimates | | 22.7x |
| Wall Street Consensus Estimates | | 22.2 |
| **Transaction Equity Value/2009E Net Income:** | | |
| DRS Management Estimates | | 20.6x |
| Wall Street Consensus Estimates | | 19.4 |

*Bear Stearns's Valuation Analyses*

*Discounted Cash Flow Analyses.* Bear Stearns performed discounted cash flow analyses based on the Company's projected unlevered after-tax free cash flows and an estimate of its terminal value at the end of the projection horizon.

In performing its discounted cash flow analyses:

- Bear Stearns based its discounted cash flow analyses on the five-year projections provided by the Company's senior management.

- Bear Stearns estimated the Company's weighted average cost of capital to be within a range of 8.0-9.5% based on, among other factors, (i) a review of the Company's Bloomberg five-year historical adjusted beta, its Bloomberg two-year historical adjusted beta and its then-current Barra predicted beta (with a bias toward more recent historical and predicted data to more appropriately reflect the Company's risk profile going forward) as well as similar beta

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information for the comparable companies, (ii) Bear Stearns's estimate of the US equity risk premium, (iii) the Company's assumed target capital structure on a prospective basis and (iv) Bear Stearns's investment banking and capital markets judgment and experience in valuing companies similar to the Company.

In calculating the Company's terminal value for purposes of its discounted cash flow analyses Bear Stearns used a reference range of terminal enterprise value/forward EBITDA multiples of 8.0 to 10.0x. The terminal values implied by the aforementioned terminal multiple reference ranges were cross-checked for reasonableness by reference to implied perpetual growth rates in the terminal year free cash flow.

Bear Stearns's discounted cash flow analyses resulted in an overall reference range of $48.94 to $74.16 per share for purposes of valuing the Company's Common Stock.

Bear Stearns noted that the transaction price of $81.00 compared favorably with the aforementioned valuation reference range based on the discounted cash flow analyses.

*Comparable Company Analysis.* Bear Stearns compared and analyzed the Company's historical stock price performance, historical and projected financial performance and valuation metrics against other publicly traded companies in the aerospace/defense industry. Bear Stearns divided the selected companies into two groups: (i) defense primes and (ii) defense electronics, because in Bear Stearns's view the Company exhibits characteristics similar to companies in each of these groups.

The following publicly traded aerospace/defense comparable companies were used in the analysis of the Company and were selected on the basis of their business profile, product/service offerings, customer focus and geographic concentration:

***Defense Primes***

General Dynamics Corporation

L-3 Communications Holdings, Inc.

Lockheed Martin Corporation

Northrop Grumman Corporation

Raytheon Company

***Defense Electronics***

Alliant Techsystems Inc.

Cubic Corporation

Harris Corporation

Rockwell Collins, Inc.

Bear Stearns calculated the following trading multiples for the above comparable companies based on Wall Street consensus estimates and the most recent publicly available filings:

**Selected Defense Primes**
**Peer Group Trading Multiples**

| | Enterprise Value/ EBITDA | | Stock Price as of 5/7/08/ Earnings Per Share | |
|---|---|---|---|---|
| | CY 2008E | CY 2009E | CY 2008E | CY 2009E |
| **Peer: Mean** | 8.8x | 8.1x | 15.3x | 13.5x |
| **Harmonic Mean** | 8.7 | 8.1 | 15.3 | 13.4 |
| **Median** | 9.1 | 8.4 | 15.3 | 13.8 |
| **High** | 9.9 | 9.2 | 16.4 | 14.7 |
| **Low** | 7.9 | 7.1 | 14.2 | 12.0 |
| **DRS:** | | | | |
| **Trading Basis** | 9.8x | 9.3x | 17.2x | 15.6x |
| **Merger Basis** | 11.7 | 11.2 | 22.7 | 20.6 |

**Selected Defense Electronics**
**Peer Group Trading Multiples**

| | Enterprise Value/ EBITDA | | Stock Price as of 5/7/08/ Earnings Per Share | |
|---|---|---|---|---|
| | CY 2008E | CY 2009E | CY 2008E | CY 2009E |
| **Peer: Mean** | 8.8x | 8.1x | 15.2x | 13.7x |
| **Harmonic Mean** | 8.8 | 8.0 | 15.2 | 13.6 |
| **Median** | 8.8 | 8.1 | 15.4 | 13.8 |
| **High** | 9.7 | 8.6 | 15.9 | 14.6 |
| **Low** | 8.0 | 7.3 | 14.1 | 12.4 |
| **DRS:** | | | | |
| **Trading Basis** | 9.8x | 9.3x | 17.2x | 15.6x |
| **Merger Basis** | 11.7 | 11.2 | 22.7 | 20.6 |

**Combined Selected Defense Primes/Defense Electronics**
**Peer Group Trading Multiples**

| | Enterprise Value/ EBITDA | | Stock Price as of 5/7/08/ Earnings Per Share | |
|---|---|---|---|---|
| | CY 2008E | CY 2009E | CY 2008E | CY 2009E |
| **Peer: Mean** | 8.8x | 8.1x | 15.3x | 13.6x |
| **Harmonic Mean** | 8.6 | 7.9 | 15.2 | 13.4 |
| **Median** | 9.1 | 8.4 | 15.3 | 13.8 |
| **High** | 9.9 | 9.2 | 16.4 | 14.7 |
| **Low** | 7.9 | 7.1 | 14.1 | 12.0 |
| **DRS:** | | | | |

| | Enterprise Value/ | | Stock Price as of 5/7/08/ | |
|---|---|---|---|---|
| **Trading Basis** | 9.8x | 9.3x | 17.2x | 15.6x |
| **Merger Basis** | 11.7 | 11.2 | 22.7 | 20.6 |

In performing its comparable company analysis:

Bear Stearns selected a reference range of trading multiples of 8.0x-10.0x based on the trading enterprise value/CY 2008E forward EBITDA multiple.

Bear Stearns's analysis of the comparable companies resulted in an overall reference range of $46.69 to $65.46 per share (without having assumed any acquisition premium) for purposes of valuing the Company's Common Stock.

Bear Stearns noted that the transaction price of $81.00 compared favorably with the aforementioned valuation reference range based on the comparable company analysis.

*Precedent Merger and Acquisition Transactions Analysis.* Bear Stearns reviewed and analyzed certain relevant precedent merger and acquisition transactions during the past several years involving the aerospace/defense industry. Bear Stearns divided the selected transactions into the following two groups: (i) precedent transactions since January 2005 and (ii) precedent transactions between January 2002 and December 2004.

The following precedent merger and acquisition transactions were considered by Bear Stearns:

***January 2005 Present***

Cobham PLC/SPARTA, Inc.

BAE Systems PLC/MTC Technologies Inc.

Textron Systems Corporation/United Industrial Corporation

CACI International Inc./Athena Innovative Solutions, Inc.

ITT Corporation/EDO Corporation

Veritas Capital, Golden Gate Capital and Goldman Sachs Capital Partners/Aeroflex, Inc.

BAE Systems PLC/Armor Holdings, Inc.

Northrop Grumman Corporation/Essex Corporation

Textron Systems Corporation/Overwatch Systems

General Dynamics Corporation/Anteon International Corporation

DRS Technologies, Inc./Engineered Support Systems, Inc.

L-3 Communications/Titan Corporation

BAE Systems PLC/United Defense Industries, Inc.

***January 2002 December 2004***

Cobham PLC/Remec Defense & Space Inc.

Engineered Support Systems, Inc./Spacelink International, LLC

ITT Industries/Kodak's Remote Sensing Systems division

Alliant Techsystems Inc./Mission Research Corporation

DRS Technologies, Inc./Integrated Defense Technologies, Inc.

General Dynamics Corporation/Digital System Resources, Inc.

General Dynamics Corporation/Veridian Corporation

Integrated Defense Technologies, Inc./BAE Systems Advanced Systems Gaithersburg, Maryland Operation

EDO Corporation/Condor Systems, Inc.

DRS Technologies, Inc./Eaton Corporation's Navy Control division

General Dynamics Corporation/Advanced Technical Products Inc.

L-3 Communications/Raytheon's Aircraft Integration Systems division

A summary of Bear Stearns's analysis of the precedent merger and acquisition transactions is presented in the table below:

**Selected Aerospace/Defense**
**Precedent M&A Transaction Multiples**

| | Enterprise Value/Forward EBITDA | | |
|---|---|---|---|
| | January 2005-Present | January 2002-December 2004 | Combined |
| DRS at Offer | 11.7x | 11.7x | 11.7x |
| Mean | 11.2 | 10.3 | 10.8 |
| Harmonic Mean | 10.8 | 9.9 | 10.4 |
| Median | 10.9 | 9.8 | 10.4 |

In performing its precedent merger and acquisition transactions analysis:

Bear Stearns selected a reference range of transaction multiples of 9.5x-11.5x based on the transaction enterprise value/ CY 2008E forward EBITDA multiple.

Bear Stearns's analysis of the selected relevant precedent merger and acquisition transactions resulted in an overall reference range of $60.90 to $78.95 per share for purposes of valuing the Company's Common Stock.

Bear Stearns noted that the transaction price of $81.00 compared favorably with the aforementioned valuation reference range based on the precedent merger and acquisition transactions analysis.

***Other Considerations***

The preparation of a fairness opinion is a complex process and involves various judgments and determinations as to the most appropriate and relevant assumptions and financial and valuation analyses and the application of those methods to the particular circumstances involved. A fairness opinion is therefore not readily susceptible to partial analysis or summary description, and taking portions of the analyses set out above, without considering the analysis as a whole, would in the view of Bear Stearns create an incomplete and misleading picture of the processes underlying the analyses considered in rendering the Bear Stearns opinion. In arriving at its opinion, Bear Stearns:

based its analyses on assumptions that it deemed reasonable, including assumptions concerning general business and economic conditions, capital markets considerations and industry-specific and company-specific factors;

did not form a view or opinion as to whether any individual analysis or factor, whether positive or negative, considered in isolation, supported or failed to support the Bear Stearns opinion;

considered the results of all its analyses and did not attribute any particular weight to any one analysis or factor; and

arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole and believes that the totality of the factors considered and analyses performed by Bear Stearns in connection with its opinion operated collectively to support its determination as to the fairness, from a financial point of view, of the consideration to be received by the holders of the Company's Common Stock pursuant to the merger.

Bear Stearns also noted that:

The analyses performed by Bear Stearns, particularly those based on estimates and projections, are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by these analyses.

None of the public companies used in the comparable company analysis described above are identical to the Company, and none of the precedent merger and acquisition transactions used in the precedent transactions analysis described above are identical to the merger.

Accordingly, the analyses of publicly traded comparable companies and precedent merger and acquisition transactions is not formulaic; rather, such analyses involve complex considerations and judgments concerning the differences in financial, operating and capital markets-related characteristics and other factors regarding the companies and precedent merger and acquisition transactions to which the Company and the merger were compared.

The analyses performed by Bear Stearns do not purport to be appraisals or to reflect the prices at which any securities may trade at the present time or at any time in the future.

The type and amount of consideration payable in the merger were determined through negotiations between the Company and Finmeccanica and were approved by the Company's board of directors. The decision to enter into the merger agreement was solely that of the Company's board of directors. The Bear Stearns opinion was just one of the many factors taken into consideration by the Company's board of directors. Consequently, Bear Stearns's analyses should not be viewed as determinative of the decision of the Company's board of directors with respect to the fairness, from a financial point of view, of the consideration to be received by the holders of the Company's Common Stock pursuant to the merger.

Pursuant to the terms of Bear Stearns's engagement letter, the Company has agreed to pay Bear Stearns a customary transaction fee, a substantial portion of which is payable upon consummation of the transaction contemplated by the merger agreement. Specifically, pursuant to the engagement letter, the Company has agreed to pay Bear Stearns a cash fee equal to 0.45% of the aggregate merger consideration paid by Finmeccanica pursuant to the merger agreement, payable upon completion of the merger. In addition, a fee of $5,000,000 was payable to Bear Stearns upon the rendering of its fairness opinion, which will be credited against the fee payable upon completion of the merger. The Company has also agreed to reimburse Bear Stearns for certain expenses and to indemnify Bear Stearns against certain liabilities arising out of Bear Stearns's engagement.

Bear Stearns has previously been engaged by the Company to provide certain investment banking and other services on matters unrelated to the merger, for which Bear Stearns has received (or expects to receive) customary fees. Specifically, the Company has historically viewed Bear Stearns as its primary investment banking firm, as Bear Stearns has represented the Company on numerous acquisitions and public offerings of securities over the years. Most recently, Bear Stearns represented the Company in its acquisition of Engineered Support Systems Inc. which was completed in 2006. Since December 1, 2005, the Company has paid Bear Stearns a total of $32.9 million for investment banking services rendered (not including fees received in conjunction with this transaction). Bear Stearns and its affiliates may seek to provide Finmeccanica and its affiliates with certain investment banking and other services unrelated to the merger in the future.

Consistent with applicable legal and regulatory requirements, Bear Stearns has adopted certain policies and procedures to establish and maintain the independence of Bear Stearns's research departments and personnel. As a result, the research analysts of Bear Stearns and its affiliates may hold views, make statements or investment recommendations and/or publish research reports with respect to the Company, Finmeccanica, the merger and other participants in the merger that differ from the views of Bear Stearns's investment banking personnel.

In the ordinary course of business, Bear Stearns and its affiliates may actively trade (for their own accounts and for the accounts of their customers) certain equity and debt securities, bank debt and/or

other financial instruments issued by the Company and/or Finmeccanica and their respective affiliates, as well as derivatives thereof, and, accordingly, may at any time hold long or short positions in these securities, bank debt, financial instruments and derivatives.

On May 31, 2008, Bear Stearns and Co, Inc. was acquired by JPMorgan Chase & Co. ("JPMorgan") as part of JPMorgan's acquisition of The Bear Stearns Companies Inc. The acquisition occurred after the delivery of the Bear Stearns fairness opinion to the Company and the execution of the Merger Agreement by the Company and Finmeccanica. In light of JPMorgan's acquisition of Bear Stearns, the Company's engagement letter with Bear Stearns includes a provision providing that if a second fairness opinion were required to be given by Bear Stearns for any reason, JP Morgan Securities Inc., not Bear Stearns, will deliver such opinion.

**Opinion of Merrill Lynch, Pierce, Fenner & Smith Incorporated**

On May 12, 2008, Merrill Lynch delivered to the Company's board of directors its oral opinion, which opinion was subsequently confirmed in writing, to the effect that, as of that date and based upon the assumptions made, matters considered and limits of review set forth in its written opinion, the consideration to be received by holders of the Company's Common Stock pursuant to the merger was fair, from a financial point of view, to those holders. A copy of Merrill Lynch's written opinion is attached to this proxy statement as Appendix C.

**Merrill Lynch's written opinion sets forth the assumptions made, matters considered and limits on the scope of review undertaken by Merrill Lynch. The Company encourages its stockholders to read Merrill Lynch's opinion carefully and in its entirety. Merrill Lynch's opinion was intended for the use and benefit of the Company's board of directors, does not address the merits of the underlying decision by the Company to engage in the merger, and does not constitute a recommendation to any of the Company's stockholder as to how that stockholder should vote on the proposed merger or any related matter. Merrill Lynch was not asked to address, and its opinion does not address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of the Company, other than the holders of the Company's Common Stock. In rendering its opinion, Merrill Lynch expressed no view or opinion with respect to the fairness (financial or otherwise) of the amount or nature or any other aspect of any compensation payable to or to be received by any officers, directors, or employees of any parties to the merger, or any class of such persons, relative to the consideration to be received by the holders of the Company's Common Stock pursuant to the merger agreement. Merrill Lynch's opinion was authorized for issuance by the U.S. fairness opinion (and valuation) committee of Merrill Lynch. This summary of Merrill Lynch's opinion is qualified in its entirety by reference to the full text of the opinion attached to this proxy statement as Appendix C.**

In arriving at its opinion, Merrill Lynch, among other things:

- reviewed certain publicly available business and financial information relating to the Company that it deemed to be relevant;

- reviewed certain information, including financial forecasts, relating to the business, earnings, cash flow, assets, liabilities and prospects of the Company furnished to it by the Company;

- conducted discussions with members of senior management and representatives of the Company concerning the matters described in the preceding two bullet points;

- reviewed the market prices and valuation multiples for the shares of the Company's Common Stock and compared them with those of certain publicly traded companies that it deemed to be relevant;

- reviewed the results of operations of the Company and compared them with those of certain publicly traded companies that it deemed to be relevant;

- compared the proposed financial terms of the merger with the financial terms of certain other transactions that it deemed to be relevant;

reviewed a draft of the merger agreement dated May 11, 2008; and

reviewed such other financial studies and analyses and took into account such other matters as were deemed necessary, including its assessment of general economic, market and monetary conditions.

In preparing its opinion, Merrill Lynch assumed and relied on the accuracy and completeness of all information supplied or otherwise made available to it, discussed with or reviewed by or for it, or publicly available, and Merrill Lynch did not assume any responsibility for independently verifying such information or undertake an independent evaluation or appraisal of any of the assets or liabilities of the Company and was not furnished with any such evaluation or appraisal, nor did it evaluate the solvency or fair value of the Company under any state or federal laws relating to bankruptcy, insolvency or similar matters. In addition, Merrill Lynch did not assume any obligation to conduct any physical inspection of the properties or facilities of the Company. With respect to the financial forecast information furnished to or discussed with Merrill Lynch by the Company, Merrill Lynch assumed that such financial forecast information was reasonably prepared and reflected the best currently available estimates and judgment of the Company's management as to the expected future financial performance of the Company. Merrill Lynch also assumed that the final form of the merger agreement would be substantially similar to the last draft it reviewed.

Merrill Lynch's opinion was necessarily based upon market, economic and other conditions as they existed and could be evaluated on, and on the information made available to it as of, the date thereof.

In connection with the preparation of its opinion, Merrill Lynch was not authorized by the Company or its board of directors to solicit, nor did it solicit, third-party indications of interest for the acquisition of all or any part of the Company.

At the May 12, 2008 meeting of the Company's board of directors and in connection with preparing its opinion, Merrill Lynch made a presentation of certain financial analyses of the merger. The following is a summary of the material analyses contained in the presentation that was delivered to the Company's board of directors. Some of the summaries of financial analyses include information presented in tabular format. In order to understand fully the financial analyses performed by Merrill Lynch, the tables must be read together with the accompanying text of each summary. The tables alone do not constitute a complete description of the financial analyses, including the methodologies and assumptions underlying the analyses, and if viewed in isolation could create a misleading or incomplete view of the financial analyses performed by Merrill Lynch.

The fact that any specific analysis has been referred to in the summary below is not meant to indicate that such analysis was given more weight than any other analysis; in reaching its conclusion, Merrill Lynch arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole and believes the totality of the factors considered and analyses performed by it in connection with its opinion operated collectively to support its determinations as to the fairness from a financial point of view of the consideration offered to the holders of the Company's Common Stock pursuant to the merger agreement. Merrill Lynch did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis.

In arriving at its opinion, Merrill Lynch made its determination as to the fairness, from a financial point of view, as of the date of the opinion, of the consideration to be received by holders of the Company's Common Stock on the basis of the financial analyses described below. The following summary is not a complete description of all of the analyses performed and factors considered by Merrill Lynch in connection with its opinion, but rather is a summary of the material financial analyses performed and factors considered by Merrill Lynch. The preparation of a fairness opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis.

With respect to the comparable company and comparable transactions analyses summarized below, such analyses reflect selected companies and transactions, and not necessarily all companies or transactions, that may be considered relevant in evaluating the merger. In addition, no company or

transaction used as a comparison is either identical or directly comparable to the Company or the merger. These analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the public trading or acquisition values of the companies concerned.

The estimates of future performance of the Company provided by the Company's management in or underlying Merrill Lynch's analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than those estimates. In performing its analyses, Merrill Lynch considered industry performance, general business and economic conditions and other matters, many of which are beyond the Company's control. Estimates of the financial value of companies do not purport to be appraisals or reflect the prices at which such companies actually may be sold.

The consideration payable in the merger was determined through negotiation between the Company and Finmeccanica and the decision to enter into the merger agreement was solely that of the Company and Finmeccanica. The opinion and financial analyses of Merrill Lynch were only one of many factors considered by the Company's board of directors in its evaluation of the merger and should not be viewed by the Company's stockholders as determinative with respect to the merger or the consideration offered.

The equity value of the Company in the merger is approximately $3.66 billion, based upon the consideration to be received by holders of the Company's Common Stock pursuant to the merger agreement of $81.00 per share and approximately 45.26 million diluted shares of the Company common stock outstanding (treating the Company's outstanding convertible notes on an as-converted basis with net share settlement including change of control make-whole shares as provided by such convertible notes). The firm value of the Company in the merger is approximately $5.13 billion based upon an equity value of the Company in the merger of $3.66 billion, adjusted for approximately $1.54 billion in net debt and option proceeds of approximately $79 million.

Merrill Lynch compared the merger consideration of $81.00 per share to the closing price of the Company's Common Stock on May 7, 2008, the last trading date prior to press reports regarding the proposed transaction, and to the average daily closing price of the Company's Common Stock for the following periods ending on May 7, 2008, and noted the following premia based upon the consideration pursuant to the merger agreement of $81.00 per share of the Company's Common Stock:

| Time Period | DRS Common Stock Price | Implied Premium |
| --- | --- | --- |
| May 7, 2008 | $ 63.74 | 27.1% |
| 30 day average | $ 60.10 | 34.8% |
| 90 day average | $ 56.06 | 44.5% |
| 360 day average | $ 54.28 | 49.2% |

***Analysis of DRS***

*Historical Trading Performance.* Merrill Lynch reviewed the historical closing prices for the Company's Common Stock for the thirty day, one year, and three year periods ending on May 7, 2008, the last trading date prior to press reports regarding the proposed transaction, as reported by FactSet, to provide background information on the prices at which the Company's Common Stock has historically traded. FactSet is an online investment research and database service used by many financial institutions. This review indicated the following:

| Time Period ending May 7, 2008 | High | Low | Mean |
| --- | --- | --- | --- |
| 30 days | $ 65.00 | $ 58.29 | $ 60.10 |
| One year | $ 65.00 | $ 44.11 | $ 54.28 |
| Three years | $ 65.00 | $ 36.09 | $ 51.72 |

These trading prices compared to the closing price of the Company's Common Stock on May 7, 2008 of $63.74 and the consideration pursuant to the merger agreement of $81.00 per share of the Company's Common Stock.

*Research Analyst Price Targets.* Merrill Lynch reviewed the most recent Wall Street research equity analyst per share target prices for the Company's Common Stock, which ranged from $60.00 to $69.00, compared to the consideration pursuant to the merger agreement of $81.00 per share of the Company's Common Stock. The table below indicates the price targets and the source of each such price target:

| **Source** | **Price Target** |
|---|---|
| Citibank | $ 64.00 |
| Credit Suisse | $ 63.00 |
| Jefferies & Company, Inc. | $ 60.00 |
| Morgan Joseph & Co. Inc. | $ 64.00 |
| Morgan Stanley | $ 55.00 |
| Oppenheimer & Co., Inc. | $ 67.00 |
| Thomas Weisel | $ 69.00 |
| UBS Equities | $ 66.00 |
| Wachovia Securities | $ 64.00 |

*Comparable Public Companies Analysis.* Merrill Lynch performed a comparable public companies analysis to estimate the implied equity value ranges per share of the Company's Common Stock. Using publicly available information, Merrill Lynch compared certain financial and operating information for the Company with corresponding financial and operating information, as well as ratios and valuation multiples, for the following publicly traded large capitalization defense companies, defense electronics companies and defense services company:

*Large capitalization defense companies*

Alliant Techsystems Inc.

General Dynamics Corporation

Lockheed Martin Corporation

L-3 Communications Holdings, Inc.

Northrop Grumman Corporation

Raytheon Company

Textron Inc.

The Boeing Company

*Defense electronics companies*

Comtech Telecommunications Corp.

Esterline Technologies Corporation

Harris Corporation

Rockwell Collins, Inc.

Teledyne Technologies Incorporated

*Defense services company*

DynCorp International Inc.

Using publicly available information and research estimates, Merrill Lynch calculated for each of these companies:

- the ratio of enterprise value, defined as the market capitalization plus total debt, minority interest and preferred stock, less cash and marketable securities, to estimated earnings before interest, taxes, depreciation and amortization, or "EBITDA," for calendar year 2008, which is referred to below as "Enterprise Value/2008E EBITDA," and

- the ratio of stock price to estimated earnings per share for calendar year 2008, which is referred to below as "2008 P/E."

To calculate these valuation multiples, Merrill Lynch used EBITDA and earnings per share projections obtained from Wall Street research and estimates as of May 9, 2008 and the closing trading prices of the equity securities of each identified company on May 9, 2008.

This analysis showed the following:

| Multiple | High | Low | Mean | Median |
|---|---|---|---|---|
| *Large capitalization defense companies* | | | | |
| Enterprise Value/2008E EBITDA | 9.7x | 7.5x | 8.6x | 8.4x |
| 2008 P/E | 16.3x | 14.1x | 15.2x | 15.4x |
| *Defense electronics companies* | | | | |
| Enterprise Value/2008E EBITDA | 9.9x | 6.8x | 8.8x | 9.2x |
| 2008 P/E | 18.9x | 15.1x | 16.2x | 15.3x |
| *Defense services company* | | | | |
| Enterprise Value/2008E EBITDA | 7.2x | | | |
| 2008 P/E | 13.0x | | | |

Merrill Lynch estimated implied equity value ranges per share of the Company's Common Stock using estimated 2008 EBITDA and 2008 earnings for the Company provided by the Company's management. Using a reference range of 8.0x to 10.0x the Company's estimated EBITDA for calendar year 2008 and 15.5x to 19.5x the Company's estimated net income for calendar year 2008, after taking into account net debt and option proceeds, as applicable, and dividing by the fully diluted shares of the Company's Common Stock outstanding, this analysis indicated implied values per share of the Company's Common Stock, rounded to the nearest $0.25, of approximately $50.50 to $71.50 and approximately $60.00 to $75.50, respectively, compared to the consideration pursuant to the merger agreement of $81.00 per share of the Company's Common Stock.

Merrill Lynch also estimated implied equity value ranges per share of the Company's Common Stock using estimated 2008 EBITDA and 2008 earnings for DRS obtained from Wall Street research and estimates, which are referred to as "Wall Street estimates." Using a reference range of 8.0x to 10.0x the Company's estimated EBITDA for calendar year 2008 and 15.5x to 19.5x the Company's estimated net income for calendar year 2008, after taking into account net debt and option proceeds, as applicable, and dividing by the fully diluted shares of the Company's Common Stock outstanding, this analysis indicated implied values per share of the Company's Common Stock, rounded to the nearest $0.25, of approximately $52.25 to $73.50 and approximately $62.75 to $79.00, respectively, compared to the consideration pursuant to the merger agreement of $81.00 per share of the Company's Common Stock.

No company used in the above analysis is identical to the Company. In evaluating companies identified by Merrill Lynch as comparable to the Company or the Company's businesses or otherwise relevant to its analysis of the Company, Merrill Lynch made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which matters are beyond the Company's control. A complete analysis involves complex

considerations and judgments concerning differences in financial and operating characteristics of the companies identified above and other factors that could affect the public trading values of such companies.

*Selected Acquisition Comparables Analysis.* Using publicly available information, Merrill Lynch examined certain multiples paid in the following transactions:

| Acquiror | Target | Month and Year of Announcement |
|---|---|---|
| Textron Inc. | United Industrial Corporation | October 2007 |
| ITT Corporation | EDO Corporation | September 2007 |
| BAE Systems plc | Armor Holdings Inc. | May 2007 |
| DRS | Engineered Support Systems, Inc. | September 2005 |
| BAE Systems plc | United Defense Industries Inc. | March 2005 |
| DRS | Integrated Defense Technologies, Inc. | August 2003 |

In its analysis, Merrill Lynch derived multiples for the Company and the selected transactions, calculated as the ratio of transaction value to current year EBITDA for the period preceding announcement of the transaction, which is referred to below as "Transaction Value/Current Year EBITDA":

This analysis indicated the following:

| Multiple | High | Low | Mean | Median |
|---|---|---|---|---|
| Transaction Value/Current Year EBITDA | 13.5x | 9.3x | 11.6x | 11.9x |

Merrill Lynch estimated implied equity value ranges per share of the Company's Common Stock using estimated 2009 EBITDA for DRS provided by DRS management and Wall Street estimates. Using a reference range of 10.0x to 12.0x, the Company's EBITDA for fiscal year 2009, after taking into account net debt and option proceeds and dividing by the fully diluted shares of the Company's Common Stock, this analysis indicated a range of implied values per share of the Company's Common Stock, rounded to the nearest $0.25, of approximately $67.00 to $86.75 using the Company's management forecasts, and approximately $69.75 to $90.25 using Wall Street estimates, compared to the consideration pursuant to the merger agreement of $81.00 per share of the Company's Common Stock.

No selected comparable company or transaction is identical to the Company or the merger. Accordingly, an analysis of the resulting multiples of the selected transactions necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and the selected transactions and other factors that may have affected the selected transactions and/or affect the merger.

*Discounted Cash Flow Analysis.* Merrill Lynch performed a discounted cash flow, or DCF, analysis for the Company, using financial forecasts provided by the Company's management and Wall Street estimates. Merrill Lynch estimated the present value of the unlevered, after-tax free cash flows that the Company could produce over the fiscal years 2009 through 2013. The range of terminal values was derived by applying terminal multiples ranging from 9.0x to 11.0x fiscal year 2013 estimated free cash flow for the Company. In order to derive implied equity value per share ranges for the Company, Merrill Lynch discounted the free cash flows and terminal values of the Company to present value using discount rates ranging from 8.5% to 10.5%. After taking into account net debt and option proceeds and dividing by the fully diluted shares of the Company's Common Stock outstanding, this analysis indicated a range of implied equity value per share of the Company's Common Stock, rounded

to the nearest $0.25, of approximately $50.50 to $73.25 using the Company's management forecasts, and $56.50 to $80.75 using Wall Street estimates, compared to the consideration pursuant to the merger agreement of $81.00 per share of the Company's Common Stock.

*Miscellaneous.* The Company's board of directors selected Merrill Lynch to act as its financial advisor with respect to the possible sale of the Company because Merrill Lynch is an internationally recognized investment banking firm with substantial experience in transactions similar to the merger and because of Merrill Lynch's familiarity with the Company from its prior representation of the Company. As part of its investment banking business, Merrill Lynch is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, secondary distributions of listed and unlisted securities and private placements.

Merrill Lynch is acting as financial advisor to the Company in connection with the merger and will receive a fee from the Company for its services in the amount of $5 million, of which $2.5 million was payable upon the execution of the merger agreement and $2.5 million is contingent upon the consummation of the merger. In addition, the Company has agreed to indemnify Merrill Lynch for certain liabilities arising out of its engagement. The Company has also agreed to reimburse Merrill Lynch for its reasonable expenses, including attorney's fees and disbursements. Pursuant to the terms of its engagement letter with the Company, Merrill Lynch has given the Company its consent for its opinion to be included in this proxy statement.

Merrill Lynch has, in the past, provided financial advisory and financing services to the Company and Finmeccanica and/or its affiliates and may continue to do so and has received, and may receive, fees for the rendering of such services. In this regard, Merrill Lynch or one of its affiliates, subject to obtaining the consent of the Company, may provide financing services to Finmeccanica in connection with the merger, for which services Merrill Lynch or such entity would receive compensation. In the ordinary course of its business, Merrill Lynch may actively trade the Company's or Finmeccanica's common stock and other securities of the Company or Finmeccanica for its own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

**Certain Effects of the Merger**

If the merger agreement is adopted by our stockholders and certain other conditions to the closing of the merger are satisfied, Sub will be merged with and into the Company, with the Company being the surviving corporation. Following the merger, the entire equity in the Company will be owned by Finmeccanica (through the conversion, at the time of the merger, of each share of Sub into one share of Common Stock). Following the merger, the Company will continue to be named "DRS Technologies, Inc."

When the merger is completed, each share of our Common Stock issued and outstanding immediately prior to the effective time of the merger (other than shares owned by the Company as treasury stock or held by Finmeccanica or Sub any of their respective direct wholly owned subsidiaries, or held by stockholders who are entitled to and who properly exercise appraisal rights in compliance with all of the required procedures under the laws of Delaware) will be converted into the right to receive $81.00 in cash without interest, less any applicable withholding taxes.

**Financing of the Merger**

The obligations of Finmeccanica and Sub under the merger agreement are not subject to any conditions regarding their or any other person's ability to obtain financing for the consummation of the merger and related transactions. Prior to executing the merger agreement, Finmeccanica and Sub provided the Company with a commitment letter pursuant to which Finmeccanica has received a

commitment from financial institutions, on terms specified in the commitment letter, to make available funds to Finmeccanica for the purpose of consummating the merger. On June 19, 2008, Finmeccanica entered into a definitive agreement for the financing pursuant to which the financial institutions made available loan facilities with a maximum total amount of up to Euro 3.2 billion. The syndication of these loan facilities has been successfully completed. In addition, Finmeccanica and Sub have represented in the merger agreement that the aggregate proceeds of the financing contemplated by the commitment letters, together with cash on hand, are sufficient to pay all amounts to be paid by Finmeccanica and Sub in connection with the merger.

**Regulatory and Other Governmental Approvals**

***Hart-Scott-Rodino***

The merger is subject to review by the Antitrust Division of the U.S. Department of Justice (the "Antitrust Division" or "DOJ") and the U.S. Federal Trade Commission ("FTC") under the HSR Act. Parent and the Company each have agreed to file promptly their requisite Premerger Notification and Report Forms under the HSR Act with the Antitrust Division and the FTC, which triggers an initial 30-day waiting period during which Finmeccanica cannot acquire or exercise operational control of the Company. This waiting period will expire on the thirtieth day after both parties file their notifications, unless the FTC and DOJ grant the parties' request for early termination of the waiting period or one of the agencies issues a request for additional information or documentary material ("Second Request"). The Company and Finmeccanica have each submitted their respective notifications pursuant to the HSR Act, triggering the initial 30-day waiting period which will expire on August 29, 2008, unless the antitrust agency conducting the review of the transaction grants the parties' request for early termination of the initial waiting period or issues a request for additional information or documentary material. The issuance of a Second Request extends the HSR Act waiting period until Finmeccanica and the Company each certify that it has substantially complied with its own Second Request. Compliance with a Second Request requires both parties to submit responses to detailed interrogatories and broad document requests, which can take up to several months. Once both parties have complied with their Second Requests, the investigating agency has 30 days to complete its review. This second 30-day waiting period can be and often is extended, but only by agreement with the parties. At the close of its review, the investigating agency has the options of closing its investigation without taking any enforcement action, negotiating a consent decree with the parties to resolve any remaining competitive concerns or, if such concerns are deemed not capable of being resolved, instituting a lawsuit in U.S. federal court to enjoin the merger. The Antitrust Division, the FTC, state Attorneys General or private parties may also challenge the merger on antitrust grounds either before or after the transaction has closed. Accordingly, at any time before or after expiration or termination of the HSR Act waiting period or even after the completion of the merger, any of the Antitrust Division, the FTC, state Attorneys General or private parties could take action under the antitrust laws as deemed necessary or desirable in the public or other interest, including without limitation seeking to enjoin the completion of the merger or permitting completion subject to regulatory concessions or conditions.

***CFIUS***

The merger agreement provides for the parties to file a joint voluntary notice under Section 721 of the Defense Production Act of 1950, as amended by Section 5021 of the Omnibus Trade and Competitiveness Act of 1988 and subsequent amendments ("Exon-Florio Amendment"). The Exon-Florio Amendment provides for national security reviews and, where appropriate, investigations by the Committee on Foreign Investment in the United States ("CFIUS") when a foreign company acquires control of a U.S. company. CFIUS consists of representatives of various government agencies including, among others, the Departments of Treasury, State, Defense, Energy, Justice, Commerce and Homeland Security, the United States Trade Representative, and, as a non-voting member, the Director of National Intelligence. CFIUS is chaired by the Treasury Department. CFIUS conducts an initial

30-day review of transactions of which it is notified. For transactions involving entities controlled by a foreign government (within the meaning of "control" under the Exon-Florio regulations) and/or certain sensitive assets, CFIUS may conduct an additional investigation that must be completed within 45 days. In certain situations, a report may be sent to the President who then has 15 days to decide whether to block the transaction or to take other action. On July 29, 2008, the Company and Finmeccanica submitted a joint voluntary filing to CFIUS.

CFIUS considers many factors in determining whether a proposed transaction threatens to impair national security, including domestic production needed for national defense requirements, the capability of domestic industries to meet national defense requirements, and the potential effects on U.S. international technological leadership in areas affecting national security.

CFIUS reviews also provide an opportunity for U.S. government agencies to ensure compliance with various regulations relating to national security, such as the requirement to obtain export licenses for exports of controlled technical data. The parties are required to submit information about classified and other defense-related contracts of the acquired company. In addition, the National Industrial Security Program Operating Manual, for which the Department of Defense is the executive agent, prohibits the performance of classified contracts by companies that are subject to foreign ownership, control or influences ("FOCI") unless steps are taken to mitigate FOCI by such means as the establishment of a special security agreement ("SSA") or proxy agreement. It is expected that the DSS will carefully examine the parties' proposed FOCI and other mitigation measures concurrently with the CFIUS review of the transaction.

As part of the CFIUS review, we expect that the Company will enter into an SSA that will cover the operations of the Company. In addition, the Company may enter into a proxy agreement that will cover certain operations of the Company. We believe that, with the proposed FOCI and other mitigation measures, the merger will not give rise to national security issues that would cause the transaction to be blocked under the Exon-Florio Amendment.

A company subject to an SSA will be governed by a board of directors that is typically comprised of three outside directors (citizens eligible to hold personnel security clearances), one to two officer directors (also eligible to hold personnel security clearances) and at least one inside director who preserves the foreign shareholder's right to be represented on the board. A proxy agreement, which is a more restrictive structure than an SSA, vests voting power in proxy holders and imposes various restrictions on directors as well as certain officers and personnel. With a proxy agreement, the proxy holders assume full responsibility for overseeing the exercise of all management prerogatives except for the following:

- The disposition of capital assets of the isolated company,
- Pledging or encumbering assets of the isolated company for purposes other than obtaining working capital or funds for capital improvements,
- Any merger, reorganization, or dissolution of the isolated company, and
- The filing of any bankruptcy petition or similar action.

***Other Governmental Approvals and Consents***

The merger may be subject to certain regulatory requirements of other municipal, state, federal and foreign governmental and self-regulatory agencies and authorities, including those relating to the defense industry and novations of governmental contracts. In particular, Parent and the Company will file for other U.S. governmental approvals, including by the Department of Defense and other agencies which have sponsored facilities clearances for the Company's classified work pursuant to the National Industrial Security Program, and by the Department of State for export-controlled technologies pursuant to the International Trade in Arms Regulations. Together with Parent, we are currently working to evaluate and comply in all material respects with these requirements, as appropriate, and do not currently anticipate that they will hinder, delay or restrict completion of the merger.

On July 4, 2008, the Company and Finmeccanica made a joint filing with the applicable anti-trust regulator in Germany and Finmeccanica made a filing with the applicable anti-trust regulator in Italy. On July 30, 2008, the Company and Finmeccanica were notified by the applicable anti-trust regulator in Germany the transaction does not meet the prohibition conditions under German merger control law and that it may therefore be implemented. In addition, on July 29, 2008, Finmeccanica was notified by the applicable anti-trust regulator in Italy that it will not open an investigation on the transaction.

On August 6, 2008, Finmeccanica and the Company made a joint filing with the applicable anti-trust regulator in the Ukraine and on August 5, 2008, Finmeccanica made a filing with the applicable anti-trust regulator in Cyprus.

It is possible that one or more of the regulatory approvals required to complete the merger will not be obtained on a timely basis or at all. In addition, it is possible that any of the governmental entities with which filings are made may seek regulatory concessions as conditions for granting approval of the merger. Under the merger agreement, Parent and we have each agreed to use our respective reasonable best efforts to complete the merger, including to gain clearance from antitrust and CFIUS reviews and obtain other required approvals.

Although we do not expect regulatory authorities to raise any significant objections to the merger, we cannot be certain that we will obtain all required regulatory approvals or that these approvals will not contain terms, conditions or restrictions that result in a failure to satisfy the conditions to closing. Neither the Company nor we have yet obtained any of the governmental or regulatory approvals required to complete the merger.

**Material U.S. Federal Income Tax Consequences of the Merger to Our Stockholders**

The following discussion summarizes the material U.S. federal income tax consequences of the merger to holders of shares of our Common Stock. This summary is based on current law as of the date hereof, is for general informational purposes only and does not purport to be a complete description of all of the tax consequences of the merger. The information in this section is based on the Internal Revenue Code of 1986, as amended (the "Code"), applicable U.S. Treasury regulations promulgated thereunder, current administrative interpretations of the U.S. Internal Revenue Service ("IRS"), and court decisions, all as of the date hereof and all of which are subject to change, possibly with retroactive effect. We cannot assure you that future legislation, U.S. Treasury regulations, administrative interpretations and court decisions will not significantly change the current law or adversely affect existing interpretations of current law. Any such change could apply retroactively. No ruling from the IRS has been or will be sought with respect to any of the tax consequences of the merger and the statements in this proxy are not binding on the IRS or any court. We can provide no assurance that the tax consequences described below will not be challenged by the IRS or will be sustained by a court if so challenged.

This summary does not address all aspects of taxation that may be relevant to you in light of your specific circumstances. Except as indicated otherwise, this summary does not address the tax treatment of holders of shares of our Common Stock subject to special treatment under the U.S. federal income tax laws, including, without limitation, banks and other financial institutions, insurance companies, tax-exempt organizations, mutual funds, individual retirement accounts and other tax deferred accounts, dealers in securities or currencies, traders in securities that elect to apply a mark-to-market method of accounting for their securities holdings, persons whose functional currency is not the U.S. dollar, persons holding their shares of our Common Stock as part of a hedging transaction, conversion transaction or constructive sale or as a position in a "straddle", and holders who acquired their shares of our Common Stock pursuant to the exercise of employee stock options or warrants or otherwise as compensation or in connection with the performance of services. Moreover, this summary does not

address the federal income tax consequences to holders of shares of our Common Stock entitled to appraisal rights in connection with the merger.

For purposes of this discussion, a "U.S. holder" means a beneficial owner of shares of our Common Stock that for U.S. federal income tax purposes is:

- an individual citizen or resident of the United States;
- a corporation or other entity subject to tax as a corporation for U.S. federal income tax purposes that is created or organized in or under the laws of the United States or any political subdivision thereof;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust (i) if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions or (ii) that has made a valid election to be treated as a U.S. person for such purposes.

For purposes of this discussion, a "non-U.S. holder" is a beneficial owner (other than a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) of shares of our Common Stock that is not a U.S. holder. If an entity treated as a partnership for U.S. federal tax purposes holds shares of our Common Stock, the tax treatment of its partners or members generally will depend upon the status of the partner or member and the activities of the entity. If you are such an entity, a partner of a partnership or a member of a limited liability company or other entity classified as a partnership for U.S. federal income tax purposes holding shares of our Common Stock, you should consult your own tax advisor.

This discussion assumes that your shares of our Common Stock are held as capital assets within the meaning of Section 1221 of the Code. This summary does not address U.S. federal alternative minimum tax consequences, consequences under the tax laws of any state, local or foreign jurisdiction, or any estate, gift or other non-income tax considerations.

**WE URGE YOU TO CONSULT YOUR OWN TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES TO YOU OF THE MERGER AND RELATED TRANSACTIONS, INCLUDING THE U.S. FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF YOUR SHARES.**

**U.S. Holders**

*Exchange of Shares of Common Stock for Cash Pursuant to the Merger.* The receipt of cash by a U.S. holder in exchange for its shares of our Common Stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes (and also may be a taxable transaction under applicable state, local, foreign and other income tax laws). In general, a U.S. holder will recognize gain or loss for U.S. federal income tax purposes equal to the difference between the amount of cash received by such holder in exchange for its shares of our Common Stock and the holder's adjusted tax basis in such shares. Gain or loss will be determined separately for each block of shares of our Common Stock surrendered for cash pursuant to the merger, with a block consisting of shares of our Common Stock acquired at the same cost in a single transaction. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the shares of our Common Stock have been held for more than one year at the effective time of the merger. Such gain or loss will generally be short-term capital gain or loss if at the effective time of the merger the shares of our Common Stock have been held for one year or less. Individual and certain other non-corporate U.S. holders who recognize long-term capital gains are generally eligible for preferential rates of taxation. The deductibility of capital losses is subject to certain limitations.

*Backup Withholding and Information Reporting.* The receipt of cash by a U.S. holder in exchange for its shares of our Common Stock pursuant to the merger may be subject to information reporting and backup withholding tax at the applicable rate (currently 28 percent), unless the U.S. holder (i) timely furnishes an accurate taxpayer identification number and otherwise complies with applicable U.S. information reporting or certification requirements (typically by completing and signing an IRS Form W-9, or a Substitute Form W-9, a copy of which will be included as part of the letter of transmittal to be timely returned to the paying agent) or (ii) is a corporation or other exempt recipient and, when required, properly establishes such fact. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be refunded or credited against a U.S. holder's U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS in a timely manner.

**Non-U.S. Holders**

*Exchange of Shares of Common Stock for Cash Pursuant to the Merger.* The receipt of cash by a non-U.S. holder in exchange for shares of our Common Stock pursuant to the merger generally will not be subject to U.S. federal income tax, unless:

- the non-U.S. holder is an individual who was present in the United States for 183 days or more in the taxable year of the merger and certain other conditions are met;

- the gain, if any, is effectively connected with the conduct by the non-U.S. holder of a trade or business in the United States (and, if certain income tax treaties apply, is attributable to a permanent establishment or fixed base the non-U.S. holder maintains in the United States); or

- we are or have been a "United States real property holding corporation" for U.S. federal income tax purposes at any time within the shorter of the five-year period ending at the effective time of the merger or the period that the non-U.S. holder held our Common Stock. We do not believe that we have been, currently are, or will become, a United States real property holding corporation. If we were or were to become a United States real property holding corporation at any time during the applicable period, however, any gain recognized by a non-U.S. holder upon the receipt of cash in exchange for shares of our Common Stock pursuant to the merger by a non-U.S. holder that did not own (directly, indirectly or constructively) more than 5 percent of our Common Stock during the applicable period would not be subject to U.S. federal income tax, provided that our Common Stock is regularly traded on an established securities market (within the meaning of Section 897(c)(3) of the Code) in the calendar year of the merger.

Individual non-U.S. holders who are subject to U.S. federal income tax because the holders were present in the United States for 183 days or more during the year of the merger are taxed on their gains (including gains from the sale of shares of our Common Stock and net of applicable U.S. losses from sales or exchanges of other capital assets recognized during the year) at a flat rate of 30 percent or such lower rate as may be specified by an applicable income tax treaty. Other non-U.S. holders subject to U.S. federal income tax with respect to gain recognized on the receipt of cash in exchange for shares of our Common Stock pursuant to the merger generally will be taxed on any such gain in the same manner as if they were U.S. holders and, in the case of foreign corporations, such gain may be subject to an additional branch profits tax at a 30 percent rate (or such lower rate as may be specified by an applicable income tax treaty).

*Backup Withholding and Information Reporting.* In general, non-U.S. holders will not be subject to backup withholding and information reporting with respect to the receipt of cash in exchange for shares of our Common Stock pursuant to the merger if they provide the paying agent with an IRS Form W-8BEN (or an IRS Form W-8ECI if the gain is effectively connected with the conduct of a U.S. trade or business by such non-U.S. holders) and we or our paying agent do not have actual knowledge (or reason to know) that the holder is a U.S. holder. If shares of our Common Stock are held through

a foreign partnership or other entity treated as a partnership for U.S. federal income tax purposes, certain documentation requirements may also apply to such partnership or other entity. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be refunded or credited against a non-U.S. holder's U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS in a timely manner.

**HOLDERS OF OUR COMMON STOCK ARE URGED TO CONSULT THEIR TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES TO THEM OF THE MERGER, INCLUDING THE APPLICABILITY AND EFFECT OF UNITED STATES FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX LAWS IN THEIR PARTICULAR CIRCUMSTANCES.**

### Interests of Certain Persons in the Merger

In considering the recommendation of our board of directors with respect to the merger, you should be aware that certain of our directors and executive officers have interests in the merger that may be different from, or in addition to, your interests generally. To the extent material, such interests are described below. Members of our board of directors were aware of these differing or additional interests and considered them, among other matters, in reaching their decision to approve the merger agreement and the merger and to recommend that you vote in favor of adopting the merger agreement.

#### *Treatment of Stock Options*

As of May 23, 2008, there were approximately 1,288,318 shares of our Common Stock subject to stock options granted under our 1996 Amended and Restated Omnibus Plan and our 2006 Omnibus Plan (the "Equity Plans") to our executive officers and directors.

Pursuant to the merger agreement, as of the effective time of the merger, each then outstanding stock option, whether or not vested, will be converted into the right to receive, in full satisfaction of such option, a cash amount, less applicable withholding taxes, equal to the product of:

- the number of shares of our Common Stock subject to the option as of the effective time of the merger, and

- the excess, if any, of $81.00 over the exercise price per share of Common Stock subject to such option.

The following table summarizes the vested and unvested options held by our directors and executive officers as of May 23, 2008 and the before-tax consideration that each of them will receive

pursuant to the merger agreement in connection with the cash-out of their options, calculated in accordance with the formula set forth above.

| Name | Number of Shares Subject to Unvested Options | Weighted Average Exercise Price Per Share of Unvested Options ($) | Number of Shares Subject to Vested Options | Weighted Average Exercise Price Per Share of Vested Options ($) | Total Cash Value of All Options ($) |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| Ira Albom | 2,500 | 48.03 | 22,500 | 28.30 | 1,268,144 |
| Charles Boyd | 2,500 | 48.03 | 5,000 | 46.80 | 253,425 |
| Donald Fraser | 2,500 | 48.03 | 17,500 | 33.58 | 912,206 |
| William Heitmann | 2,500 | 48.03 | 17,500 | 33.58 | 912,206 |
| Steven Honigman | 2,500 | 48.03 | | | 82,425 |
| C. Shelton James | 2,500 | 48.03 | 5,000 | 50.18 | 236,525 |
| Mark N. Kaplan | 2,500 | 48.03 | 22,500 | 28.30 | 1,268,144 |
| Stuart Platt | 2,500 | 48.03 | 2,500 | 53.56 | 151,025 |
| Dennis Reimer | 2,500 | 48.03 | 12,500 | 40.37 | 590,300 |
| Eric Rosen | 2,500 | 48.03 | 25,000 | 26.52 | 1,444,394 |
| **Executives** | | | | | |
| Mark S. Newman | 114,869 | 49.50 | 530,889 | 31.38 | 29,961,878 |
| Robert F. Mehmel | 36,602 | 50.43 | 177,998 | 29.80 | 10,232,996 |
| Richard A. Schneider | 25,597 | 50.08 | 101,129 | 35.55 | 5,387,530 |
| Nina Laserson Dunn | 25,597 | 50.08 | 65,329 | 36.09 | 3,725,254 |
| Other Executives(1) (2 Individuals) | 36,280 | 50.54 | 19,028 | 46.86 | 1,754,691 |

(1) Except as otherwise noted, as used herein, "Other Executives" includes Michael Bowman, the Company's former Executive Vice President, Washington Operations, who is no longer an executive officer but was an executive officer of the Company at the end of the last fiscal year and Phillip Balisle, Executive Vice President, Washington Operations, who is an executive officer of the Company but was not an executive officer at the end of the last fiscal year.

***Treatment of Restricted Stock Awards***

As of May 23, 2008, there were approximately 126,723 shares of Common Stock subject to unvested restricted stock awards granted under our Equity Plans to our executive officers. None of the non-employee directors of the Company hold restricted stock awards.

Pursuant to the terms of the merger agreement, as of the effective time of the merger, each restricted stock award will be converted into the right to receive, in full satisfaction of such restricted stock award, a cash amount, less applicable withholding taxes, equal to the product of:

- the number of shares of Common Stock subject to the restricted stock award, and
- $81.00.

The following table summarizes the restricted stock awards held by our executive officers as of May 23, 2008 and the before-tax consideration that each of them will receive pursuant to the merger

agreement in connection with the cash-out of their restricted stock awards, calculated in accordance with the formula set forth above.

| Name | Number of Restricted Shares | Value of Restricted Shares ($) |
|---|---|---|
| **Executive Officers** | | |
| Mr. Newman | 57,816 | 4,683,096 |
| Mr. Mehmel | 20,800 | 1,684,800 |
| Mr. Schneider | 12,993 | 1,052,433 |
| Ms. Dunn | 12,993 | 1,052,433 |
| Other Executives (2 Individuals) | 22,121 | 1,791,801 |

***Treatment of Deferred Stock***

Pursuant to a 1999 agreement entered into between Mr. Newman and the Company, Mr. Newman deferred receipt of 50,000 shares of Common Stock following the exercise of certain stock options. In connection with the merger, Mr. Newman will receive a cash payment equal to $81.00 per deferred share.

***Employment Agreements and Executive Severance Plan***

*In General.* The Company has existing employment agreements with Messrs. Newman, Mehmel and Schneider and Ms. Dunn, four of its most senior executive officers (the "senior executive officers"). These agreements, among other things, provide for certain payments and benefits upon a termination of the senior executive officers' employment by the Company without "cause" (as defined in the individual employment agreements) or by the senior executive officers for "good reason" (as defined in the individual employment agreements) (a "qualifying termination"), including a qualifying termination of employment following a "change in control" (as defined in the individual employment agreements). Mr. Bowman may become entitled to severance payments and benefits under the Company's Executive Severance Plan upon a qualifying termination (as discussed in more detail below).

*Senior Executive Officers.* Under the merger agreement, the parties agreed that the consummation of the merger will constitute a "change in control" and give rise to "good reason" under the employment agreements with the senior executive officers. At the effective time of the merger, the parties have agreed that each senior executive officer will be entitled to the payments set forth in the table below. It is anticipated that all of the senior executive officers will remain employed with the Company following the consummation of the merger. Further, the merger agreement provides that the Company will enter into new employment agreements with Mr. Newman, effective as of the closing of the merger, and with the other senior executive officers following the closing of the merger.

*Mr. Newman.* At the effective time of the merger, Mr. Newman will be entitled to receive a lump sum cash payment equal to three times the sum of (i) his current annual base salary and (ii) the bonus earned by him during the immediately preceding fiscal year.

If any payments or benefits received by Mr. Newman as a result of the merger would be subject to the "golden parachute" excise tax imposed under section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), the Company will be required to pay Mr. Newman such additional amounts as may be necessary to place him in the same after-tax position as if the payments had not been subject to the excise tax. Anticipated excise tax gross-up payments are reflected in the table below.

Pursuant to the merger agreement, the parties have agreed that Mr. Newman will continue to be employed by the Company following the effective time of the merger under the following material terms: Mr. Newman will serve as Chairman of the Board and Chief Executive Officer of the Company

from the closing of the merger until December 31, 2011. At the end of this initial term, the term will automatically renew for an additional three year period unless the Company provides six months' written notice of its desire to not renew Mr. Newman's employment agreement. In addition to other benefits, Mr. Newman will also be entitled to (i) an initial annual base salary equal to $1,040,000, subject to annual increase, (ii) a target bonus equal to 100% of Mr. Newman's base salary, (iii) on the effective date of the merger, a grant of restricted shares of Finmeccanica common stock with a value equal to Mr. Newman's base salary (or an equivalent cash-based award), (iv) an opportunity to receive, annually, a number of shares of restricted Finmeccanica common stock with a maximum value equal to Mr. Newman's base salary (or the cash equivalent thereof), (v) life insurance coverage and (vi) lifetime health, vision and dental insurance coverage.

The parties have further agreed that if Mr. Newman's employment is terminated following the closing by the Company without cause or by Mr. Newman for good reason, Mr. Newman will be entitled to receive, among other benefits, (i) a lump sum cash payment equal to his unpaid base salary and bonus (with such bonus paid at target levels) for the remainder of the term, (ii) a lump sum cash payment equal to one times his current base salary, (iii) continued participation in and payment of premiums by the Company for life insurance and other welfare benefits and perquisites for the remainder of the term (as noted above, health benefits continue beyond the term of his employment), and (iv) accelerated vesting of any equity award (and any cash-based award made in substitution for an annual restricted stock grant). If the Company fails to renew the term of Mr. Newman's employment, Mr. Newman will be entitled to (i) a lump sum cash payment equal to one times his current base salary and (ii) full vesting of any outstanding equity award (and any cash-based award made in substitution for an annual restricted stock grant).

Finally, the parties have agreed that, if Mr. Newman should be entitled to any payments or benefits as a result of any subsequent change in control and these benefits and payments would be subject to the "golden parachute" excise tax imposed under section 4999 of the Code, the Company will be required to pay Mr. Newman such additional amounts as may be necessary to place him in the same after-tax position as if the payments had not been subject to the excise tax.

*Messrs. Mehmel and Schneider and Ms. Dunn.* At the effective time of the merger, Messrs. Mehmel[FN] and Schneider and Ms. Dunn will be entitled to a lump sum cash payment equal to three times the sum of (i) the executive's base salary plus (ii) the bonus earned by the executive during the immediately preceding fiscal year. If any payments or benefits received by any senior executive officer as a result of the merger would be subject to the "golden parachute" excise tax imposed under section 4999 of the Code, the Company will be required to pay the executive such additional amounts as may be necessary to place the executive in the same after-tax position as if the payments had not been subject to the excise tax. Estimated excise tax gross-up payments are reflected in the table below.

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FN
On August 7, 2008, the Company named Robert F. Mehmel President, retaining the position of Chief Operating Officer of the Company.

Generally, the new employment agreements with Messrs. Mehmel and Schneider and Ms. Dunn (to be negotiated and executed following the effective time of the merger) will contain provisions for base salary and bonus opportunities that are no less favorable than those in effect under such senior executive officers' current agreements and will contain other terms generally comparable to those currently in effect under the senior executive officers' current employment agreements. The parties will negotiate severance and other customary terms for the new employment agreements. Mr. Phillip Balisle, an executive officer of the Company who is not currently a party to an employment agreement, will be provided with a new employment agreement following the effective time of the merger.

The table below quantifies the approximate cash payments and estimated excise tax gross-up payments that will be paid to the senior executive officers at the effective time of the merger. The

actual amount of gross-up payments to which each executive is entitled may be more or less than the amount specified below.

| Executive | Cash Payment | Excise Tax Gross-Up |
|---|---|---|
| Mr. Newman | $ 6,895,000 | $ 0 |
| Mr. Mehmel | $ 3,408,000 | $ 2,237,000 |
| Mr. Schneider | $ 2,553,000 | $ 1,416,000 |
| Ms. Dunn | $ 2,553,000 | $ 0 |

***Executive Severance Plan***

Thirty-three individuals, including Michael Bowman, participate in the Company's Executive Severance Plan. Under this plan, participants are entitled to severance payments and continuation of certain welfare benefits upon a termination of employment that occurs within two years following a change in control if such termination of employment is initiated (i) by the Company without cause (as defined in the Executive Severance Plan) or (ii) by a participant for good reason (as defined in the Executive Severance Plan). Upon such a qualifying termination of employment, a participant is entitled to (i) a cash lump sum equal to two and a half (in the case of Mr. Bowman and five other individuals) or two times the sum of the participant's base salary and bonus, (ii) a cash lump sum pro-rata bonus equal to the participant's target bonus for the year in which employment terminates and (iii) continuation of disability, accident and health insurance benefits for two and a half (in the case of Mr. Bowman) or two years following termination of employment. The Executive Severance Plan provides that, if any portion of the total payments that a participant would receive in connection with a change in control (such as the merger) would constitute nondeductible excess parachute payments under Section 280G of the Code, the participant's benefits under the Executive Severance Plan will be reduced to the highest amount payable without causing a loss of deduction to the Company.

***Employee Incentive Payments***

The merger agreement provides for the establishment of an incentive plan (the "Employee Incentive Plan"), which was adopted by the Company on June [ ], 2008. Awards under the Employee Incentive Plan are being made in lieu of the regularly scheduled long term incentive plan grants that would have been made by the Company in June of 2008 in the absence of the merger agreement.

Pursuant to the Employee Incentive Plan, under certain conditions, the Company will pay cash incentive payments (each an "Incentive Payment") to the senior executive officers and approximately 300 other selected employees of the Company following the merger. Incentive Payments are subject to a time-based vesting schedule. Specifically, 50% of each participant's Incentive Payment is payable on the first anniversary of the closing of the merger and 50% on the second anniversary of the closing of the merger, contingent upon continued employment at the time of payment. Participants in the Employee Incentive Plan will be entitled to 100% of their Incentive Payments or any unpaid portion thereof if they are terminated without cause (as defined in the Employee Incentive Plan) or the participant terminates his employment for good reason (as defined in the Employee Incentive Plan) within two years following the closing of the merger. If a participant dies or becomes disabled prior receiving his or her Incentive Payment, the participant will be entitled to a pro-rata portion of any unpaid Incentive Payment. If a participant's employment is terminated for any other reason while an Incentive Payment is outstanding, the participant will forfeit his or her Incentive Payment. If the merger agreement were to be terminated for any reason in accordance with its terms, the Company intends to revise the Employee Incentive Plan in order to provide for the vesting and payment of awards over the two-year period following the applicable award date under the Employee Incentive

Plan. The table below outlines the Incentive Payments that the senior executive officers and other executives may be entitled to following the merger.

| Executive | Award Under Employee Incentive Plan |
| --- | --- |
| Mr. Newman | $ 3,100,000 |
| Mr. Mehmel | $ 1,000,000 |
| Mr. Schneider | $ 750,000 |
| Ms. Dunn | $ 750,000 |
| Other Executive (1 Individual)(1) | $ 750,000 |

***Supplemental Executive Retirement Plan***

The Company maintains a Supplemental Executive Retirement Plan ("SERP") for the benefit of the senior executive officers and nine highly compensated employees, including Mr. Bowman. The SERP provides retirement benefits to each executive, based on years of service and final average annual compensation (as defined in the SERP), in accordance with the benefit class to which such executive is assigned by the Compensation Committee. Upon a change in control each participant will become fully vested under the SERP and will become entitled to a lump sum cash distribution equal to the present value of his or her benefit payable as an immediate life annuity, without any reduction for early payment. Under the merger agreement, the consummation of the merger will constitute a change in control for the purposes of the SERP. The present value of the benefit that would be paid to each of the senior executive officers and one other executive, assuming the closing occurred on November 15, 2008, is reflected in the table below.

| Executive | SERP Present Value |
| --- | --- |
| Mr. Newman | $ 16,392,000 |
| Mr. Mehmel | $ 1,049,000 |
| Mr. Schneider | $ 1,592,000 |
| Ms. Dunn | $ 1,006,000 |
| Other Executive (1 Individual)(2) | $ 120,000 |

(1) Includes Mr. Balisle

(2) Includes Mr. Bowman.

***Indemnification and Insurance***

Finmeccanica has agreed to cause the surviving corporation to honor all of the Company's obligations to indemnify (including any obligations to advance funds for expenses) current or former directors or officers of the Company or its subsidiaries for acts or omissions occurring prior to the effective time of the merger agreement, to the extent that such obligations exist on the date of this merger agreement.

Further, for six years following the effective time of the merger agreement, to the fullest extent permitted by law, Finmeccanica has agreed to cause the surviving corporation to indemnify and hold harmless each of current and former director or officer of the Company and its subsidiaries against and from any costs or expenses (including reasonable attorneys' fees), judgments and pay certain legal fees to the extent such costs pertain to any action or omission taken in the director or officers capacity as director or officer or the merger. For more information, see "The Merger Agreement Indemnification and Insurance" beginning on page [ ].

**Certain Shareholder Litigation**

On May 15, 2008, a plaintiff filed a putative class action lawsuit against the Company and the members of its board of directors in the Superior Court of the State of New Jersey, challenging the transactions contemplated by the merger agreement. The complaint is captioned *Scheidt v. DRS Technologies, Inc., et al.,* D. No. MRS-L 1486-08 (N.J. Super. Ct.) The complaint asserts a claim for breach of fiduciary duties against the director defendants and a claim for aiding and abetting breach of fiduciary duty against the Company. The plaintiff seeks, among other things, an order enjoining the defendants from consummating the transaction and directing the individual defendants to exercise their fiduciary duties to obtain a transaction that is in the best interests of the Company's shareholders. On June 25, 2008, the defendants filed a motion to dismiss the complaint in its entirety. The defendants also filed a motion for a protective order to stay discovery and a motion to transfer the action from the Law Division to the Chancery Division, General Equity.

On July 11, 2008, the plaintiff filed a motion for leave to file an amended complaint. The Court granted this motion by an order dated July 16, 2008. The amended complaint alleges, among other things, that the proposed transaction arises out of a flawed process, that the individual defendants are engaged in self-dealing in connection with the transaction, and that the Company's shareholders will be divested of a large portion of the Company's assets for inadequate consideration if the transaction is consummated. The plaintiff alleges that the individual defendants deliberately sought out a foreign acquirer that would need to retain U.S. management and would agree to operate the business as a stand alone subsidiary. The plaintiff alleges that the individual defendants failed to maximize shareholder value by not exploring, analyzing and evaluating alternatives to the Finmeccanica deal, including expressions of interest by Thales and Company Y. The plaintiff alleges that the individual defendants agreed to no-solicitation and termination fee provisions in the merger agreement in order to prevent any potential suitors from making competing proposals.

The plaintiff also alleges that the Company's preliminary proxy statement, filed with the SEC on June 13, 2008, contains misleading disclosures and/or omits certain material information, including:

(i) the financial condition and prospects of DRS, including the expected future value of DRS and its assets;

(ii) a basis for the Board's decision to allegedly not inform itself as to whether a sale to Company Y could provide DRS shareholders with better consideration, taking into consideration the delay and non-consummation risks arising from the regulatory approval process in any Finmeccanica deal;

(iii) steps taken by the Board to ensure that DRS management did not oppose a sale of DRS to Company Y, as a U.S. company, because Company Y would not need to retain defendants in their roles as directors and officers post-acquisition;

(iv) a basis for defendants' decision not to negotiate, pursue and/or explore Thales's and Company Y's respective interests in buying DRS, or for their decision to approve the deal with Finmeccanica;

(v) a basis for the Board's alleged decision not to inform itself as to whether a sale to Company Y could provide DRS shareholders with a better price on better terms;

(vi) a basis for the concern that Thales would react differently to the same non-public information given to Finmeccanica, and for the concern that Thales would lower its bid after receiving due diligence information from DRS;

(vii) a basis on which the Board could have been sufficiently informed to evaluate and compare the relative regulatory approval processes and related delay and non-consummation risks associated with Thales's and Company Y's respective indications of interest;

(viii) a basis for why the Board did not explore or pursue interests of any other companies other than Finmeccanica;

(ix) a basis for the Board's conclusion that the transaction with Finmeccanica is in the best interests of DRS shareholders; and

(x) the nature and extent of the non-public information shared by DRS with Finmeccanica during due diligence, and the impact that not having access to such information had on the ability of other companies to make proposals.

Additionally, the amended complaint adds Nina L. Dunn, our Executive Vice President, General Counsel and Secretary, as a defendant.

On July 16, 2008, the case was transferred from the Law Division to the Chancery Division, General Equity. Thereafter, plaintiff's motion for leave to file his amended complaint was granted. The amended complaint is captioned *Scheidt v. DRS Technologies, Inc., et al.,* D. No. MRS-C-114-08 (N.J. Ch.).

The Company believes that the claims asserted by plaintiff in the amended complaint are wholly without merit. On July 25, 2008, defendants filed a motion to dismiss the amended complaint in its entirety. On August 7, 2008, plaintiff filed his response to the motion to dismiss. Therein, he argues that the preliminary proxy statement contains additional purported misleading disclosures and/or omitted material information, including:

(i) a risk-adjustment/net present value analysis taking into consideration the risks of delay and non-consummation with Finmeccanica that were allegedly not present with Company Y, a U.S. company, Thales and other counterparties;

(ii) whether a net present value evaluation was ever performed, what assumptions were used, what its results were or whether the Board considered it;

(iii) the nature and extent of the Company's ability to compare the consideration offered, discounted to net present value and adjusted to reflect the non-consummation risks of competing proposals, and the impact that not disclosing non-public information to companies other than Finmeccanica had on the Company's ability to do so;

(iv) the relative likelihood that the different transactions would obtain regulatory approvals, or the relative differences in time it would take to do so;

(v) the relative risks and delays associated with the proposed sale to Finmeccanica as compared with a sale to other suitors;

(vi) how a transaction with Thales or Company Y compares to the current value being offered to shareholders, especially when taking into consideration regulatory approval-related delays and non-consummation risks;

(vii) a basis on which either the defendants or DRS shareholders could estimate the effect delays in merger completion (as a result of having to acquire regulatory and governmental approvals) have on the net present value of the consideration offered in the Finmeccanica transaction;

(viii) an estimate or calculation of the comparative risks of non-consummation associated with the various proposals;

(ix) discount rates used in the discounted cash flow valuations (using 10.5% when comparable companies were using discount rates as low as 6.6%);

(x) the multiples reflected in the precedent transactions (concealing higher multiples of enterprise value to EBITDA in recent deals by including lower-multiple transactions from 2000-2003);

(xi) grouping comparable transactions for all of 2005-2008 for purposes of comparing transaction multiples in those earlier deals to the multiple offered here;

(xii) the relevant multiples separately for 2005, 2006, 2007 and 2008, as blending all four years together allegedly makes it impossible for shareholders to compare, in any meaningful way, the multiple being offered here to the ones offered in recent similar transactions;

(xiii) a basis for why the discount rates Merrill Lynch used were much higher than those of the companies included in the Comparable Companies analysis;

(xiv) what discount rates the Company's management used or the weighted average cost of capital that the Company calculated internally;

(xv) how management's internal weighted average cost of capital estimates compared to those of comparable companies and the financial advisors;

(xvi) that current discounted cash flow analyses in the fairness opinions do not contain comparison discount cash flow analyses relating to the net present value of transactions with Thales and Company Y;

(xvii) a basis for Merrill Lynch's decision to use the discount rate found in its fairness opinion, rather than one provided by management; and

(xviii) partial disclosure of the non-public information that was discussed and shared with Finmeccanica for six months prior to entering into the merger agreement.

A hearing on defendants' motion to dismiss the amended complaint is scheduled for August 29, 2008.

The Company intends to defend vigorously against the action. However, because this case is in its early stages, we cannot predict the outcome at this time, and we cannot be assured that it will not prevent or delay the consummation of the transaction and/or result in substantial costs.

**Delisting and Deregistration of Common Stock**

If the merger is completed, the Common Stock will be delisted from the NYSE and deregistered under the Exchange Act and we will no longer file periodic reports with the SEC on account of the Common Stock, although we may be required to do so pursuant to the indentures governing our outstanding indebtedness.

**THE MERGER AGREEMENT**

The summary of the terms of the merger agreement below and elsewhere in this proxy statement is qualified in its entirety by reference to the merger agreement, a copy of which is attached to this proxy statement as Annex A and which we incorporate by reference into this proxy statement. This summary does not purport to be complete and may not contain all of the information about the merger agreement that is important to you. We encourage you to read carefully the merger agreement in its entirety.

The merger agreement has been included to provide you with information regarding its terms and is not intended to provide any other factual information about the Company, Finmeccanica, Sub, or their subsidiaries. In particular, the merger agreement contains representations and warranties the Company and Parent made to each other. The statements embodied in those representations and warranties are in some cases subject to important exceptions, limitations and supplemental information contained in confidential disclosure schedules that the Company and Finmeccanica have exchanged in connection with signing the merger agreement. Certain representations and warranties were made as of a specified date, may be subject to contractual standards of materiality different from those generally applicable under federal securities laws, or may have been included in the merger agreement for the purpose of allocating risk between the parties rather than to establish matters as facts. Thus, stockholders should be aware that the representations and warranties contained in the merger agreement may serve business purposes other than providing the Company's stockholders with information about the Company, and stockholders should not base their investment decisions regarding the Company, or their decision as whether to vote in favor of the adoption of the merger agreement, thereon.

**The Merger**

The merger agreement provides that Sub will merge with and into us, and the separate existence of Sub will cease. We will survive the merger as a wholly owned subsidiary of Finmeccanica, and will continue to be named "DRS Technologies, Inc." (and we sometimes refer to ourselves as of and after such time as the "surviving corporation"). Following completion of the merger, our Common Stock will cease to be listed on the NYSE, will be deregistered under the Exchange Act, and will no longer be publicly traded. The Company will be a privately held corporation and our current stockholders will cease to have any ownership interest in the Company or rights as stockholders of the Company. Therefore, our current stockholders will not participate in any future earnings or growth of the Company and will not benefit from any appreciation in value of the Company.

Unless otherwise agreed by the parties to the merger agreement, the closing date for the merger will occur on the second business day, after the satisfaction or waiver (to the extent permitted by law) of the conditions to the merger agreement relating to the receipt of stockholder and governmental approvals, or, if on such day, any condition to effect the merger is not satisfied or waived (to the extent permitted by law), then as soon as practicable after all conditions to the merger are satisfied or waived (to the extent permitted by law) as described below in "Conditions to the Merger" beginning on page [ ].

The effective time of the merger will occur at the time we, together with Finmeccanica, duly file the certificate of merger with the Secretary of State of the State of Delaware or at such time as may be specified in the certificate of merger.

**Treatment of Stock and Other Awards**

***Company Common Stock***

At the effective time of the merger, each share of Common Stock issued and outstanding immediately prior to the effective time of the merger will be converted into the right to receive $81.00 in cash, without interest, less any required withholding taxes, other than the following shares:

- shares held by holders who have properly demanded and perfected their appraisal rights; and
- shares owned by the Company (as treasury stock or otherwise), Finmeccanica or Sub or any of their respective wholly-owned subsidiaries.

After the merger is effective, each holder of a certificate representing any shares of Common Stock (other than shares for which appraisal rights have been properly demanded and perfected) will no longer have any rights with respect to the shares, except for the right to receive the merger consideration, without interest, less any required withholding taxes.

***Company Options***

At the effective time, each option to acquire shares of our Common Stock whether or not vested will be converted into the right to receive for each share of Common Stock then subject to such option an amount equal to the excess, if any, of $81.00 over the exercise price per share payable in respect of such share of Common Stock issuable under such option, without interest, less any required withholding taxes.

***Restricted Stock Awards***

At the effective time, each share of our Common Stock subject to a restricted stock award outstanding immediately prior to the effective time of the merger will be immediately vested and converted into the right to receive $81.00 in cash, without interest, less any required withholding taxes.

***Restricted Stock Units***

At the effective time, each then outstanding restricted stock unit, whether or not vested, will be converted into the right to receive, for each share of Common Stock that would be issuable upon the vesting of such restricted stock unit, $81.00 in cash, without interest, less any required withholding taxes.

***Appraisal Rights***

If you properly exercise appraisal rights under Delaware law your Common Stock will not be converted into the right to receive $81.00 in cash per share, but instead your shares will be cancelled, will cease to exist and you will cease to have any rights with respect to such shares, except the right to receive the fair value of your shares of Common Stock in accordance with the provisions of Section 262 of the Delaware General Corporation Law (attached to this proxy statement as Annex D). See "Dissenters' Rights of Appraisal" beginning on page [ ].

**Exchange and Payment Procedures**

Before the effective time of the merger, Finmeccanica will designate a paying agent to act as agent for the benefit of holders of shares of Common Stock in connection with the merger (such firm the "paying agent"). Finmeccanica will deposit with the paying agent on a timely basis, as and when needed, the cash necessary to pay for the shares of Common Stock converted into the right to receive the merger consideration. As soon as reasonably practicable after the effective time, Finmeccanica will cause the paying agent to mail to each holder of record of Common Stock a letter of transmittal and instructions for use in effecting the surrender of the certificates or book-entry shares representing

shares of our Common Stock. The letter of transmittal and instructions will tell you how to surrender your Common Stock certificates or shares you may hold that are represented by book entry in exchange for the merger consideration.

Instead of depositing the total consideration payable to holders of options, restricted stock awards and restricted stock units with the paying agent, Finmeccanica will cause the surviving corporation to deliver payments for the options, restricted stock awards and restricted stock units to their holders as promptly as practicable following the effective time.

*You should not return your stock certificates with the enclosed proxy card, and you should not forward your stock certificates to the paying agent without a properly completed letter of transmittal.*

You will not be entitled to receive the merger consideration until you surrender your stock certificate or certificates (or affidavit of loss in lieu thereof) or book-entry share to the paying agent, together with a properly completed and duly executed letter of transmittal and any other documents as may be reasonably requested by the paying agent. If a transfer of ownership of shares is not registered in the transfer records of the Company, cash to be paid upon due surrender of the stock certificate or book-entry share may be paid to the transferee if the stock certificate or book-entry share formerly representing the shares is presented to the paying agent accompanied by all documents required to evidence and effect the transfer and to evidence that any applicable stock transfer taxes have been paid or are not applicable.

*No interest will be paid or accrued on the amount payable upon the surrender of the certificates or book-entry shares.*

After the effective time of the merger, there will be no transfers on our stock transfer books of shares of Common Stock that were outstanding immediately prior to the effective time of the merger. If, after the effective time of the merger, certificates are presented to the surviving corporation for transfer, they will be cancelled and exchanged for the merger consideration.

Any portion of the merger consideration deposited with the paying agent that remains undistributed to holders of our Common Stock nine months after the closing of the merger will be delivered, upon demand, to Finmeccanica. Former holders of our Common Stock who have not complied with the above-described exchange and payment procedures will thereafter only look to Finmeccanica for payment of the merger consideration.

Finmeccanica, the surviving corporation and the paying agent will be entitled to deduct and withhold from the merger consideration otherwise payable to any person such amounts as may be required to be deducted and withheld with respect to the making of such payments under the Code, and the rules and regulations promulgated thereunder, or under any provision of state, local or foreign tax law.

If you have lost a certificate, or if it has been stolen or destroyed, then before you will be entitled to receive the merger consideration, you will have to make an affidavit of the certificate's loss, theft or destruction, and if required by Finmeccanica, post a bond in a reasonable amount as Finmeccanica may direct to protect Finmeccanica against any claim that may be made against it with respect to that certificate. These procedures will be described in the letter of transmittal that you will receive, which you should read carefully in its entirety.

**Certificate of Incorporation, Bylaws, Directors and Officers**

When the merger is completed, the certificate of incorporation of the Company in effect immediately prior to the effective time will be the certificate of incorporation of the surviving corporation and the bylaws of the surviving corporation will be those of Sub in effect immediately prior to the effective time. The directors of Sub at the effective time of the merger (which shall have been selected in consultation with the Company) will be the directors of the surviving corporation

immediately following the merger. The officers of the Company at the effective time of the merger will be the officers of the surviving corporation immediately following the merger. As soon as reasonably practicable following the effective time, each such director shall resign and appoint a successor director in accordance with the National Industrial Security Program Operating Manual.

**Representations and Warranties**

The merger agreement contains representations and warranties made by us to Finmeccanica and Sub, and by Finmeccanica and Sub to us, and may be subject to important limitations and qualifications agreed to by the parties in connection with negotiating the terms of the merger agreement. The statements embodied in those representations and warranties are in some cases subject to important exceptions, limitations and supplemental information contained in confidential disclosure schedules that the Company and Finmeccanica have exchanged in connection with signing the merger agreement. Certain representations and warranties were made as of a specified date, may be subject to contractual standards of materiality different from those generally applicable under federal securities laws or may have been included in the merger agreement for the purpose of allocating risk between the parties rather than to establish matters as facts. For the foregoing reasons, you should not rely on the representations and warranties contained in the merger agreement as statements of factual information.

Our representations and warranties relate to, among other things:

- our and our subsidiaries' due organization, valid existence, good standing and qualification to do business;
- our subsidiaries and our equity interests in them;
- our capitalization, including in particular the number of shares of our Common Stock, stock options, restricted stock awards, and restricted stock units;
- our corporate power and authority to enter into the merger agreement and, subject to the approval of the merger agreement by the required vote of our stockholders, to consummate the transactions contemplated by the merger agreement;
- the absence of conflicts with, or violations of, our or our subsidiaries' governing documents, applicable law or certain material agreements as a result of entering into the merger agreement and consummating the merger and the other transactions contemplated by the merger agreement;
- the required consents and approvals of governmental entities in connection with the merger and related transactions;
- certain permits necessary for the lawful conduct of our and our subsidiaries' business;
- compliance with laws applicable to the Company, its subsidiaries or their assets (including, but not limited to, the Arms Export Control Act, the International Traffic in Arms Regulations, the Export Administration Regulations, the Foreign Corrupt Practices Act and other international anti-bribery laws);
- the compliance with applicable legal requirements of our SEC filings, as amended, since April 1, 2006, including with applicable legal requirements of the consolidated financial statements contained therein and GAAP;
- the adequacy of our internal controls and procedures;
- the absence of certain changes and certain actions since March 31, 2007;

the absence of undisclosed liabilities;

litigation, legal proceedings and governmental orders;

employee benefit plans;

labor matters;

intellectual property matters;

tax matters;

our rights to use owned and leased properties;

material contracts, government contracts and government subcontracts and performance of obligations thereunder;

receipt of opinions from Bear Stearns and Merrill Lynch;

the inapplicability of anti-takeover statutes to the merger;

the accuracy of information supplied for inclusion in this proxy statement;

the required vote of our stockholders in connection with the approval of the merger;

the absence of undisclosed brokers' fees;

interested party transactions with related persons;

insurance matters;

material customers and material suppliers; and

environmental matters.

Many of our representations and warranties are qualified by a "Company Material Adverse Effect" standard. "Company Material Adverse Effect" is defined to mean any change, effect, event or circumstance that is or would reasonably be expected to be, individually or in the aggregate, materially adverse to (i) the business, assets, financial condition, or results of operations of the Company and its subsidiaries, taken as a whole, (ii) the ability of the Company and each of its subsidiaries to perform its obligations under the merger agreement or (iii) the ability of the Company to consummate the merger and the other transactions contemplated by the merger agreement, other than any of the following:

changes in general economic conditions or securities or financial markets in general;

general changes in the industry in which the Company and its subsidiaries operate, except to the extent such changes or developments would reasonably be expected to have a materially disproportionate impact on the Company and its subsidiaries, taken as a whole, relative to other participants in the business and industry in which the Company and its subsidiaries operate;

any changes in laws applicable to the Company or any of its subsidiaries or any of their respective properties or assets or interpretations thereof by any governmental authority, except to the extent such changes or developments would reasonably be expected to have a materially disproportionate impact on the Company and its subsidiaries, taken as a whole, relative to other participants in the business and industry in which the Company and its subsidiaries operate;

any outbreak or escalation of hostilities or war (whether declared or not declared) or any act of terrorism;

the announcement or the existence of, or compliance with, the merger agreement and the transactions contemplated thereby (including without limitation the impact thereof on relationships with customers or employees);

changes in GAAP or interpretations of GAAP;

certain other matters disclosed by the Company to Parent; or

any change in the market price or trading volumes of the Common Stock after the date of the merger agreement.

The merger agreement also contains various representations and warranties made by Finmeccanica and Sub that are subject, in some cases, to specified exceptions and qualifications. Their representations and warranties relate to:

- their organization, valid existence and good standing;
- their corporate or other power and authority to enter into the merger agreement and to consummate the transaction contemplated by the merger agreement;
- the absence of any violation or conflict with their governing documents, applicable law or certain agreements as a result of entering into the merger agreement and consummating the merger;
- the required consents and approvals of governmental entities in connection with the transactions contemplated by the merger agreement;
- litigation, legal proceedings and governmental orders;
- the existence of financing commitments in favor of Finmeccanica and Sub to consummate the transactions contemplated by the merger agreement and the ability of Finmeccanica and Sub to pay all amounts required to be paid by them in connection with the merger agreement;
- that no vote of Finmeccanica's stockholders is required;
- the accuracy of information supplied by Finmeccanica and Sub for inclusion in this proxy statement; and
- the absence of undisclosed brokers' fees.

Certain of Finmeccanica's and Sub's representations and warranties are qualified by a "Parent Material Adverse Effect" standard. "Parent Material Adverse Effect" is defined to mean a material adverse effect on (i) the ability of Finmeccanica or Sub to perform their respective obligations under the merger agreement or (ii) the ability of Finmeccanica or Sub to consummate the merger and the other transactions contemplated by the merger agreement.

The representations and warranties of each of the parties to the merger agreement will expire upon completion of the merger agreement or the termination of the merger agreement.

**Conduct of Our Business Prior to Closing**

We have agreed in the merger agreement that, subject to certain exceptions, until the effective time of the merger, unless (i) otherwise required by law, (ii) Finmeccanica otherwise consents (which consent will not be unreasonably withheld, delayed or conditioned), or (iii) otherwise contemplated by the merger agreement, including the confidential disclosure schedules, we will, and will cause our subsidiaries, to:

- conduct the business of the Company and its subsidiaries only in the usual, regular and ordinary course consistent with past practice; and
- use commercially reasonable efforts to preserve intact our business organization, to keep available the services of our current officers and employees, and keep our relationship with customers, supplier, licensors, licensees, distributors, governmental entities and others to the end that our goodwill and ongoing business shall be unimpaired at the effective time.

We have also agreed that during the same time period, subject to certain exceptions and unless (i) otherwise required by law, (ii) Finmeccanica gives its prior consent (which consent will not be unreasonably withheld, delayed or conditioned), or (iii) otherwise contemplated by the merger agreement, including the confidential disclosure schedules, we will not:

- amend our certificate of incorporation or by-laws or those of our subsidiaries;

issue, deliver, sell, pledge, dispose, encumber or grant, as applicable, any of our Common Stock, Preferred Stock or shares of our subsidiaries, or any options, warrants, convertible securities or other rights to acquire our Common Stock or shares of our subsidiaries, except that we can:

issue shares of Common Stock issuable in connection with options outstanding as of the date of the merger agreement;

issue shares of Common Stock issuable in connection with the vesting of restricted stock units outstanding as of the date of the merger agreement; or

declare, set aside, make or pay any dividends or other distribution (other than regularly distributed quarterly dividends not to exceed $0.03 per share or dividends or distributions by a subsidiary to its parent) or redeem, purchase or repurchase any Common Stock or shares of our subsidiaries, or any options, warrants, convertible securities or other rights to acquire our Common Stock, or shares of our subsidiaries;

other than as required by the Company's benefit plans as of the date of the merger agreement or as required by law:

materially increase, in the aggregate, the compensation, bonus or fringe or other benefits payable to any current or former director, officer, employee or consultant of the Company or any subsidiary, except for any planned salary increases and payment of bonuses set forth in the disclosure provided by the Company to Finmeccanica;

grant or pay any severance or termination pay, which is material in the aggregate, to any current or former director, officer, employee or consultant of the Company or any subsidiary, except as set forth in the disclosure provided by the Company to Finmeccanica;

take any action to fund or in any other way secure the payment of compensation or benefits under any Company benefit plan that is not required by law;

take any action to accelerate the vesting or payment or any compensation or benefit under a Company benefit plan;

materially change any actuarial or other assumption used to calculate funding obligations with respect to any Company benefit plan; or

establish, adopt, terminate or amend any Company benefit plan;

acquire or agree to acquire the stock or assets, that are material, individually or in the aggregate to the Company and its subsidiaries, of any entity;

repurchase, prepay or incur any indebtedness for borrowed money or guarantee any indebtedness any such indebtedness of another person or issue or sell any debt securities or warrants to acquire any debt securities of the Company or its subsidiaries, guarantee any debt securities of another person, or enter into any "keep well" or similar arrangement, other than indebtedness incurred under the Company's existing credit facilities, in each case in the ordinary course of business consistent with past practice in an amount not to exceed $125 million;

pay, discharge or satisfy any claims, liabilities or obligations, other than the payment, discharge or satisfaction, in the ordinary course of business consistent with past practice or in accordance with their terms, of liabilities reflected or reserved against in, or contemplated by, the most recent consolidated financial statements (or the notes thereto) of the Company included in the Company's SEC documents or incurred in the ordinary course of business consistent with past practice;

make any material changes in accounting methods, principles or practices materially affecting the reported consolidated assets, liabilities or results of operations of the Company, except as required to by GAAP;

make or agree to make capital expenditures that would result in the total capital expenditure in any fiscal quarter to exceed $30 million;

cancel any material indebt