DRS TECHNOLOGIES INC
Form PRER14A
August 11, 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)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**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,
President 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

**TABLE OF CONTENTS**

**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 Società 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 Società 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?**