UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

June 17, 2010

Date of report

PATTERSON COMPANIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Minnesota	**0-20572**	**41-0886515**

(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

1031 Mendota Heights Road

St. Paul, Minnesota 55120

(Address of Principal Executive Offices, including Zip Code)

(651) 686-1600

(Registrant s Telephone Number, including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

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

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

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

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

ITEM 8.01 OTHER EVENTS

On June 17, 2010, Patterson Medical, the rehabilitation supply and equipment unit of Patterson Companies, Inc. (the Company), acquired the rehabilitation businesses of DCC Healthcare, a division of DCC plc, a business support services group headquartered in Dublin, Ireland.

The acquired DCC businesses Days Healthcare, Physiomed and Ausmedic rank among the leaders in their respective overseas markets, providing assistive living products and rehabilitation equipment and supplies to hospitals, physical and occupational therapists, long-term care facilities, dealers and consumers in the U.K., continental Europe, Australia, New Zealand and other international markets. The sales of the acquired businesses were approximately $70 million for the twelve months ended March 31, 2010.

The acquisition is expected to have a neutral impact on the Company s consolidated earnings in fiscal 2011 and then be accretive starting in its second year as part of the Company.

A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference herein.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) EXHIBITS

99.1 Press release of Patterson Companies, Inc., dated June 17, 2010.

SIGNATURES

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

PATTERSON COMPANIES, INC.

Date: June 18, 2010

By: /s/ R. Stephen Armstrong
R. Stephen Armstrong

Executive Vice President, Treasurer and Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

ign="bottom" align="center">(A)(D)Date ExercisableExpiration DateTitleAmount or Number of Shares Series A Preferred Stock $ 2.506/30/2015 P 400,000 06/15/2015 [(2)] Common Stock 400,000 $ 2.5 400,000 D A-Warrants $ 2.7506/30/2015 P 300,000 06/30/201506/30/2021 Common Stock 300,000 $ 2.75 300,000 D B-Warrants $ 2.7506/30/2015 P 300,000 [(3)] [(3)] Common Stock 300,000 $ 2.75 300,000 D Series A Preferred Stock $ 2.512/28/2016 P 84,000 12/28/2016 [(2)] Common Stock 84,000 $ 2.5 484,000 D

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Provco Ventures 1 LP 795 E LANCASTER AVE SUITE 200 VILLANOVA, PA 19085		X		

Signatures

Gary DiLella	04/26/2017
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Payment of quarterly dividends on 8% Series A Preferred Stock in shares of common stock valued at 90% of 10-day average closing bid price.

(2) The Series A Convertible Preferred Stock has no expiration date.

(3) The B-Warrants are exercisable any time after the date that the holder has purchased all of the shares of Common Stock underlying the A-Warrants issued to the holder and on or prior to the close of business on the six-year anniversary of such date.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. beginning in fiscal 2008 and interim periods within that year. The adoption of

EITF 00-19-2 did not have a material impact on the Company's consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115" (SFAS No. 159). SFAS No. 159 permits entities to choose to measure eligible items at fair value at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS No. 159 is effective for DRS beginning April 1, 2008. The Company is evaluating the impact of this statement on its consolidated financial statements.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

We begin the Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) of DRS Technologies, Inc. and its wholly-owned subsidiaries and controlling interests (hereinafter, we, us, our, the Company or DRS) with a company overview, followed by summaries of defense industry, strategy and other business considerations to provide context for understanding our business. This is followed by a discussion of the critical accounting estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results, which we discuss under "Results of Operations." We then provide an analysis of cash flows and discuss our financial commitments under "Liquidity and Capital Resources" and "Contractual Obligations," respectively. This MD&A should be read in conjunction with the consolidated financial statements and related notes contained herein and in our March 31, 2007 Annual Report on Form 10-K.

Forward-Looking Statements

The following discussion and analysis contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are based on management's beliefs and assumptions, current expectations, estimates and projections. Such statements, including statements relating to the Company's expectations for future financial performance, are not considered historical facts and are considered forward-looking statements under the federal securities laws. These statements may contain words such as "believes," "anticipates," "plans," "expects," "intends," "estimates" or similar expressions. These statements are not guarantees of our future performance and are subject to risks, uncertainties and other important factors that could cause our actual performance or achievements to differ materially from those expressed or implied by these forward-looking statements and include, without limitation: the effect of our acquisition strategy on future operating results, including our ability to effectively integrate acquired companies into our existing operations; the uncertainty of acceptance of new products and successful bidding for new contracts; the effect of technological changes or obsolescence relating to our products and services; and the effects of government regulation or shifts in government policy, as they may relate to our products and services, and other risks or uncertainties detailed in Item 1A, "Risk Factors," included in our March 31, 2007 Annual Report on Form 10-K. Given these uncertainties, you should not rely on forward-looking statements. The Company undertakes no obligations to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Company Overview

DRS is a supplier of defense electronic products, systems and military support services. We provide high-technology products, services and support to all branches of the U.S. military, major aerospace and defense prime contractors, government intelligence agencies, certain international military forces and industrial markets.

On October 2, 2006, we implemented a new organizational operating structure that realigned our three operating segments into four operating segments. The four operating segments are the Command, Control, Communications, Computers and Intelligence (C4I) Segment, the Reconnaissance, Surveillance & Target Acquisition (RSTA) Segment, the Sustainment Systems Segment and the Technical Services Segment. All other operations, primarily our Corporate Headquarters, are grouped in Other. All prior-year amounts presented by segment have been reclassified to reflect the new operating segment structure.

The C4I Segment is comprised of the following business areas: Command, Control & Communications (C3), which includes naval display systems, ship communications systems, radar systems, technical support, electronic manufacturing and system integration services, secure voice and

data communications, air combat training, and electronic warfare and ship network systems; Power Systems, which includes naval and industrial power generation, conversion, propulsion, distribution and control systems; Intelligence Technologies, which includes signals intelligence, communications intelligence, data collection, processing and dissemination equipment, high-speed digital data and imaging systems, unmanned vehicles, and mission and flight recorders; Tactical Systems, which includes battle management tactical computer systems, peripherals, electronic test and diagnostics, and vehicle electronics; and Homeland Security, which includes integration of traditional security infrastructures into a single, comprehensive border security suite for the Department of Homeland Security.

The RSTA Segment develops and produces electro-optical sighting, targeting and weapon sensor systems, and image intensification (I^2) night vision, combat identification and laser aimer/illuminator products, and provides electronic manufacturing services.

The Sustainment Systems Segment designs, engineers and manufactures integrated military electronics and other military support equipment, primarily for the U.S. Department of Defense (DoD), as well as related heat transfer and air handling equipment, and power generation and distribution equipment for domestic commercial and industrial users.

The Technical Services Segment provides engineering services, logistics and training services, advanced technology services, asset protection systems and services, telecommunication systems integration and information technology services, power generation and vehicle armor kits for military, intelligence, humanitarian, disaster recovery and emergency responder applications.

Defense Industry Considerations and Business Strategy

The substantial majority of our revenue is generated pursuant to written contractual arrangements to design, develop, manufacture and/or modify complex products and to provide related engineering, technical and other services according to the specifications of the buyers (customers). Our primary "end-use" customer is the DoD. Our other customers include certain U.S. government intelligence agencies, foreign governments, commercial customers and other U.S. federal, state and local government agencies.

The Global War on Terrorism (GWOT), Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom have altered the global defense and security environment and have had, and for the foreseeable future are likely to continue to have, a significant impact on the markets for defense and advanced technology systems and products. The DoD continues to focus on both supporting ongoing operations in Afghanistan and Iraq and transforming the U.S. military to confront future threats. In addition, the Office of Homeland Security and other U.S. government agencies continue to focus on enhancing the security of the United States. While the future direction of current operations remains unsettled, we believe that the 2006 Quadrennial Defense Review, a comprehensive report issued by the DoD every four years on defense strategy, force structure, force modernization plans, infrastructure, budget plans, and other elements of U.S. defense programs and policies (the QDR), will continue to drive strategic thinking and budget priorities in the near term. The QDR recommended certain changes to force structure, particularly with respect to special operations forces, relating to the GWOT and the insurgency in Iraq. However, at the same time, the QDR also largely maintained the DoD's transformation initiatives. The President's fiscal year 2008 budget and Future Years Defense Plan (FYDP), which projects defense costs for the next five years, are consistent with the 2006 QDR's recommendations.

Congress recently passed a continuing resolution to provide continued appropriations for the government's fiscal year 2008. A continuing resolution provides funding for the Federal government at the government's fiscal year 2007 level until its expiration on November 16, 2007, unless extended, or

the enactment of the 2008 appropriations, whichever occurs first. During such period (or until the regular appropriation bills are passed), delays can occur in procurement of products and services due to lack of funding, and such delays can affect our revenue and profit during the period of delay.

Over the past several years, DoD budgets have experienced increased focus on command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR), precision-guided weapons, unmanned aerial vehicles (UAVs), network-centric communications, Special Operations Forces (SOF) and missile defense. In addition, we believe the DoD philosophy has focused on a transformation strategy that balances modernization and recapitalization (or upgrading existing platforms), while enhancing readiness and joint operations. As a result, we believe defense budget program allocations continue to favor advanced information technologies related to C4ISR. Furthermore, the DoD's emphasis on system interoperability, force multipliers and the provision to battlefield commanders of real-time data is increasing the electronic content of nearly all major military procurement and research programs.

Our strategy is designed to capitalize on the breadth of our technology and extensive expertise in order to meet the evolving needs of our customers. We intend to expand our share of existing programs and participate in new programs by leveraging the strong relationships that we have developed with the DoD, several other U.S. government agencies and all of the major U.S. defense prime contractors. We plan to continue to align our research and development, manufacturing and new business efforts to complement our customers' requirements and to provide state-of-the-art products and services. We plan to maintain a diversified and broad business mix with limited reliance on any single program, significant follow-on business and an attractive customer profile. We also intend to expand our technical services and support offerings to the DoD, thus diversifying our business beyond the historical investment accounts and into Operations and Maintenance (O&M) funded activities.

A significant component of our strategy has been to enhance our existing product base through selective acquisitions that add new products, services and technologies in areas that complement our present business base. We intend to continue acquiring select publicly and privately held companies, as well as defense businesses of larger companies that (i) exhibit significant market position(s) in their business areas, (ii) offer products that complement and/or expand our product offerings and (iii) display growing revenues and positive operating income and cash flow prospects.

Other Business Considerations

As a government contractor, we are subject to U.S. government oversight. The government may ask about and investigate our business practices and audit our compliance with applicable rules and regulations. Depending on the results of those audits and investigations, the government could make claims against us. Under government procurement regulations and practices, an indictment of a government contractor could result in that contractor being fined and/or suspended from being able to bid on, or be awarded, new government contracts for a period of time. A conviction could result in debarment for a specific period of time. Similar government oversight exists in most other countries where we conduct business.

We are party to various legal actions and claims arising in the ordinary course of our business. We believe we have adequate legal defenses for each of the actions and claims, and we believe that their ultimate disposition will not have a material adverse effect on our consolidated financial position, results of operations or liquidity. It is possible, however, that the ultimate resolution of those matters could result in a material adverse effect on our results of operations and/or cash flows from operating activities for a particular reporting period. (see Part II. Other Information, Item 1. Legal Proceedings).

We assume greater financial risk on fixed-price contracts than on cost-type contracts. Failure to anticipate technical problems, estimate costs accurately or control costs during performance of a fixed-price contract will reduce our profit or cause a loss. In particular, because of their inherent uncertainties and consequent cost overruns, development and development with follow-on production-type contracts historically have been less profitable than pure production contracts. Although we believe that adequate provision for our costs of performance is reflected in our consolidated financial statements, we can give no assurance that losses on fixed-price and cost-type contracts will not occur in the future. We also cannot assure you that current cost-type contracts will not be changed to fixed-price contracts.

Our sales to international customers involve additional risks, such as exposure to currency fluctuations and changes in foreign economic and political environments. International transactions frequently involve increased financial and legal risks arising from stringent contractual terms and conditions, and widely differing legal systems, licensing requirements, customs and practices in foreign countries. We expect that international sales, as a percentage of our overall sales, may increase in future years as a result of, among other factors, our growth strategy and continuing changes in the defense industry.

Our future operating results depend on our ability to successfully compete in a highly competitive industry that is characterized by rapid technological change. We have historically participated successfully in the defense industry consolidation through strategic business acquisitions and by streamlining our existing operations; however, we cannot guarantee that we will have sufficient funds available to us to continue investing in business acquisitions.

Critical Accounting Policies

Our consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. Preparing consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosures of contingent assets and liabilities. These estimates and assumptions are affected by the application of our accounting policies. Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements included in our March 31, 2007 Annual Report on Form 10-K. Except as described below, there were no significant changes in the Company's critical accounting policies during the six months ended September 30, 2007. Critical accounting policies are those that require application of management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. Critical accounting policies for us include revenue recognition on contracts and contract estimates, valuation of goodwill and acquired intangible assets, pension plan and postretirement benefit plan obligations, accounting for income taxes, share-based payments and other management estimates.

We adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48 (FIN 48) effective April 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes," and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. We had no cumulative effect adjustment related to the adoption. However, certain amounts have been reclassified in the consolidated balance sheet in order to comply with the requirements of the statement.

Results of Operations

Our operating cycle is long term and involves various types of production contracts and varying production delivery schedules. Accordingly, operating results of a particular year, or year-to-year comparisons of recorded revenues and earnings, may not be indicative of future operating results. Members of our senior management team regularly review key performance metrics and the status of operating initiatives within our business. These key performance indicators are primarily revenues, operating income and bookings. We review this information on a monthly basis through operating segment reviews, which include, among other operating issues, discussions related to significant programs, proposed investments in new business opportunities or property, plant and equipment, and integration and cost reduction efforts. The following table presents a summary comparison of the key performance metrics, other significant financial metrics and significant liquidity metrics monitored by our senior management.

	Three Months Ended September 30,			Six Months Ended September 30,		
	2007	2006	Percent Change	2007	2006	Percent Change
	(in thousands, except percentages)					
Key performance metrics						
Revenues	$ 783,769	$ 711,538	10.2%	$ 1,519,399	$ 1,341,803	13.2%
Operating income	$ 92,129	$ 71,888	28.2%	$ 123,463	$ 136,873	(9.8)%
Bookings	$ 1,107,989	$ 915,241	21.1%	$ 2,047,517	$ 1,697,371	20.6%
Other significant financial metrics						
Interest and related expenses	$ 28,106	$ 30,619	(8.2)%	$ 56,816	$ 60,521	(6.1)%
Income taxes	$ 20,566	$ 15,821	30.0%	$ 21,536	$ 29,331	(26.6)%
Significant liquidity metrics(A)						
Free cash flow	$ 41,610	$ 44,133	(5.7)%	$ 28,244	$ 5,111	452.6%
EBITDA	$ 110,173	$ 90,587	21.6%	$ 159,457	$ 174,206	(8.5)%

(A)
See "Liquidity and Capital Resources" and "Use of Non-GAAP Financial Measures" for additional discussion and information.

Three-Month and Six-Month Periods Ended September 30, 2007, Compared with the Three-and Six-Month Periods Ended September 30, 2006

Revenues and operating income Consolidated revenues and operating income for the three-month period ended September 30, 2007 increased $72.2 million and $20.2 million, respectively, to $783.8 million and $92.1 million, respectively, as compared with the corresponding period in the prior year. The primary drivers of increased revenues over the prior-year period were increased demand for driver vision enhancement equipment and components for ground-based vehicles and certain rugged computer systems, and increased shipments of ground-based target acquisition and missile control subsystems, and thermal imaging systems and subsystems for long-range surveillance systems. Partially offsetting the overall increase in revenues were lower demand from certain defense communication transmission systems, decreased engineering and development volume for certain power conversion equipment, lower shipments of rugged computers sold in the international market and delays in shipments on the Thermal Weapons Sights II (TWS II) program. The Company recommenced shipments of certain variations of TWS II in late September 2007.

The growth in operating income in the second quarter of fiscal 2008, as compared with the second quarter in the prior year, was largely due to the overall increase in revenues and an $11.7 million curtailment gain recorded in the Sustainment Systems Segment for a defined benefit pension plan (see Note 11). Partially offsetting the overall higher operating income were lower margins from C4I's Intelligence Technologies and Command, Control & Communications (C3) strategic business units. During the three months ended September 30, 2006, we recorded $3.7 million of severance-related

costs in advance of the new organizational operating structure implemented in the third quarter of fiscal 2007. See *Operating Segments* discussion below for additional information.

Consolidated revenues and operating income for the six-month period ended September 30, 2007 increased $177.6 million and decreased $13.4 million, respectively, to $1.52 billion and $123.5 million, respectively, as compared with the corresponding period in the prior year. The primary drivers of higher revenues over the prior-year period were increased shipments of driver vision enhancement equipment and components for ground-based vehicles, ground-based target acquisition and missile control subsystems, certain rugged computer systems, and thermal imaging systems and subsystems for long-range surveillance systems. Also contributing to higher overall revenues was increased demand for equipment and services under the Rapid Response (R2) program. Partially offsetting higher overall revenues were lower demand for commercial vehicle armor kits and certain rugged computers sold in the international market, decreased engineering and development volume for certain power conversion equipment and delays in shipments of TWS II.

The decline in operating income for the six-month period ended September 30, 2007, as compared with the corresponding prior-year period, was largely due to a charge of $36.8 million on the TWS II program. The operating charge primarily reflected the cost of procuring new material following recent design modifications, coupled with the write-off of existing inventory that can no longer be utilized on the program. We also realized lower operating margins from C4I's Intelligence Technologies and C3 strategic business units. Partially offsetting lower overall operating income was an $11.7 million curtailment gain recorded in the Sustainment Systems Segment and higher overall revenues. During the six months ended September 30, 2006, we recorded $3.7 million of severance-related costs in advance of the new organizational operating structure implemented in the third quarter of fiscal 2007. See *Operating Segments* discussion below for additional information.

Bookings We generally define bookings as the value of contract awards received from the U.S. government, for which the U.S. government has appropriated funds, plus the value of contract awards and orders received from customers other than the U.S. government. Bookings for the three-month period ended September 30, 2007 increased $192.7 million, as compared with the same period in the prior year, to $1.11 billion. The primary drivers of the increase were strong bookings for equipment and services under the Rapid Response (R2) program from our Technical Services Segment and strong demand for driver vision enhancement equipment and components for ground-based vehicles from our C4I and RSTA Segments.

Bookings for the six-month period ended September 30, 2007 increased $350.1 million, as compared with the same period in the prior year, to $2.05 billion. The primary drivers of the increase were strong bookings for equipment and services under the Rapid Response (R2) program from our Technical Services Segment and strong demand for driver vision enhancement equipment and components for ground-based vehicles from our C4I and RSTA Segments, and ground-based target acquisition and missile control subsystems from our RSTA Segment.

Interest and related expenses Interest and related expenses decreased $2.5 million and $3.7 million for the three- and six-month periods ended September 30, 2007, as compared with the same periods in the prior year, to $28.1 million and $56.8 million, respectively. Lower interest and related expenses were primarily the result of a decrease in our average borrowings outstanding for the three-and six-month periods ended September 30, 2007, as compared with the corresponding periods in the prior year. We had no borrowings outstanding under our revolving credit facility at September 30, 2007 and had approximately $80.0 million outstanding at September 30, 2006. With the adoption of FIN 48 on April 1, 2007, we began recording the interest associated with our income tax contingencies as a component of interest expense. For the six-month period ended September 30, 2007, we recorded $0.3 million of interest expense associated with tax contingencies which is net of a $0.2 million reduction to interest expense related to tax contingencies, reversed or settled during the three months ended September 30, 2007.

Income taxes The provision for income taxes for the three- and six-month periods ended September 30, 2007 reflected an effective income tax rate of approximately 32.3% and 32.5%, respectively, as compared with 38.5% and 38.7%, respectively, in the same period last year. Our effective tax rate declined primarily due to the scheduled increase in the Domestic Manufacturing Deduction, reinstatement of the Research & Development Credit and, effective April 1, 2007, our election to report interest expense associated with the income tax contingencies as interest expense rather than a component of the income tax provision, partially offset by a reduction in the Extraterritorial Income Exclusion. Additionally during the second quarter the effective tax rate was reduced by the impact of $3.1 million of non-recurring items, primarily related to the reversal of a portion of a valuation allowance that had been established against certain state deferred tax assets. We anticipate that our effective income tax rate for the year ended March 31, 2008 will approximate 36%.

Operating Segments

The following tables set forth, by operating segment, revenues, operating income and operating margin, and the percentage increase or decrease of those items, as compared with the prior fiscal year:

	Three Months Ended September 30,		Three Months Ended Percent Changes	Six Months Ended September 30,		Six Months Ended Percent Changes
	2007	2006	2007 vs. 2006	2007	2006	2007 vs. 2006
	(in thousands, except for percentages)					
C4I Segment						
Revenues	$ 309,425	$ 273,375	13.2%	$ 607,817	$ 543,691	11.8%
Operating income	$ 34,083	$ 32,699	4.2%	$ 65,988	$ 60,403	9.2%
Operating margin	11.0%	12.0%	(7.9)%	10.9%	11.1%	(2.3)%
RSTA Segment						
Revenues	$ 188,770	$ 146,730	28.7%	$ 342,354	$ 263,364	30.0%
Operating income (loss)	$ 18,416	$ 12,843	43.4%	$ (2,711)	$ 25,824	(110.5)%
Operating margin	9.8%	8.8%	11.4%	(0.8)%	9.8%	(108.2)%
Sustainment Systems Segment						
Revenues	$ 108,440	$ 97,785	10.9%	$ 216,418	$ 184,333	17.4%
Operating income	$ 24,843	$ 13,212	88.0%	$ 35,066	$ 24,615	42.5%
Operating margin	22.9%	13.5%	69.6%	16.2%	13.4%	20.9%
Technical Services Segment						
Revenues	$ 177,134	$ 193,648	(8.5)%	$ 352,810	$ 350,415	0.7%
Operating income	$ 15,036	$ 11,868	26.7%	$ 25,528	$ 25,188	1.3%
Operating margin	8.5%	6.1%	39.3%	7.2%	7.2%	0.0%
Other						
Operating (loss) income	$ (249)	$ 1,266	(119.7)%	$ (408)	$ 843	(148.4)%

Three-Month Period Ended September 30, 2007, Compared with the Three-Month Period Ended September 30, 2006

C4I Segment Revenues increased $36.1 million, or 13.2%, to $309.4 million for the three-month period ended September 30, 2007, as compared with the corresponding prior-year period. Operating income increased $1.4 million, or 4.2%, to $34.1 million. The increase in revenue was primarily attributable to increased shipments of certain rugged computer systems, components for driver vision enhancement components for ground-based vehicles, replacement video display modules for the FAA and certain unmanned aerial vehicles. Partially offsetting higher overall revenues were less engineering and development volume for certain power conversion equipment and lower shipments of certain rugged computer systems sold in international markets, as well as ship automation components.

The increase in operating income for the three-month period ended September 30, 2007, as compared with the corresponding period in the prior year, was largely due to higher overall revenues, favorable margins for a commercial nuclear control program and improved margins at C4I's Tactical Systems strategic business unit, offset in part by lower margins at C4I's Intelligence Technologies and C3 strategic business units.

RSTA Segment Revenues increased $42.0 million, or 28.7%, to $188.8 million for the three-month period ended September 30, 2007, as compared with the corresponding prior-year period. Operating income increased $5.6 million, or 43.4%, to $18.4 million. The increase in revenues was primarily attributable to higher shipments of driver vision enhancement equipment for ground-based vehicles, ground-based target acquisition and missile control subsystems, thermal imaging systems and subsystems for a long-range surveillance system, and certain airborne and ship-based infrared target acquisition systems. Partially offsetting the overall increase in revenues were lower revenue for the TWS II program due to delayed shipments, which recommenced in late September 2007, and lower volume from infrared sighting and targeting systems for ground-based vehicles.

The increase in operating income for the three-month period ended September 30, 2007, as compared with the corresponding period in the prior year, was largely due to higher overall revenues and favorable margins for certain thermal imaging systems and subsystems. During the three-month period ended September 30, 2006, the RSTA Segment recorded $2.0 million of severance-related costs in advance of the new organizational operating structure implemented in the third quarter of fiscal 2007.

Sustainment Systems Segment Revenues increased $10.7 million, or 10.9%, to $108.4 million for the three-month period ended September 30, 2007, as compared with the corresponding prior-year period. Operating income increased $11.6 million, or 88.0%, to $24.8 million. The primary drivers of the increase in revenue during the period were demand for replacement environmental control systems for missile launch and alert facilities, heavy mobile ammunition trailers for the U.S. Army, and increased revenues for an automated test program due to a transition from the engineering phase of the program to production. Partially offsetting higher overall revenues was lower demand for battlefield digital command, control and communication systems and support services for certain cargo loaders and transporters.

The increase in operating income over the same period in the prior year was due to an $11.7 million curtailment gain recorded for one of the Sustainment Systems Segment's defined benefit pension plans. Higher overall revenues were offset by cost growth on certain defense electronics and environmental programs. During the three-month period ended September 30, 2006, we recorded $1.2 million of severance-related costs in advance of the new organizational operating structure implemented in the third quarter of fiscal 2007.

Technical Services Segment Revenues decreased $16.5 million, or 8.5%, to $177.1 million for the three-month period ended September 30, 2007, as compared with the corresponding prior-year period. Operating income increased $3.2 million, or 26.7%, to $15.0 million. Revenues declined primary due to lower demand for the defense communication transmission system program, and lower volume from add-on commercial vehicle armor kits, partially offset by equipment and services provided under the R2 program.

The increase in operating income and operating margin was largely due to improved margins on the R2 program and the settlement of an assumed liability related to the Engineered Support Systems, Inc. (ESSI) acquisition, partially offset by lower overall revenue. During the three-month period ended September 30, 2006, we recorded $0.5 million of severance-related costs in advance of the new organizational operating structure implemented in the third quarter of fiscal 2007.

Other The operating loss in Other consists of certain non-allocable general and administrative expenses at DRS corporate. During the three-month period ended September 30, 2006, we realized a $1.3 million gain on the collection of a note receivable that previously had been partially reserved.

Six-Month Period Ended September 30, 2007, Compared with the Six-Month Period Ended September 30, 2006

C4I Segment Revenues increased $64.1 million, or 11.8%, to $607.8 million for the six-month period ended September 30, 2007, as compared with the corresponding prior-year period. Operating income increased $5.6 million, or 9.2%, to $66.0 million. The increase in revenue was principally attributable to increased shipments of certain rugged computer systems, components for driver vision enhancement equipment for ground-based vehicles, replacement video display modules for the FAA and certain embedded diagnostics systems. Partially offsetting the overall higher revenue were lower shipments of rugged computer systems sold in the international market, less engineering and development for certain power conversion equipment, and lower shipments of chassis modernization kits.

The increase in operating income for the six-month period ended September 30, 2007, as compared with the corresponding period in the prior year, was largely due to higher overall revenue, favorable margins for a commercial nuclear control program and improved margins at C4I's Tactical Systems strategic business unit, offset in part by lower margins at C4I's Intelligence Technologies and C3 business units.

RSTA Segment Revenues increased $79.0 million, or 30.0%, to $342.4 million for the six-month period ended September 30, 2007, as compared with the corresponding prior-year period. Operating income decreased $28.5 million, or 110.5%, to a loss of $2.7 million. The increase in revenues was primarily attributable to higher shipments of ground-based target acquisition and missile control subsystems, driver vision enhancement equipment for ground-based vehicles, and thermal imaging systems and subsystems for a long-range surveillance system. Partially offsetting the overall increase in revenues was lower revenue for the TWS II program due to delayed shipments, which recommenced in September 2007.

The decrease in operating income and operating margin for the six-month period ended September 30, 2007, as compared with the corresponding period in the prior year, was largely due to a charge of $36.8 million on the TWS II program. Partially offsetting the lower operating income were higher overall revenues and favorable margins for certain thermal imaging systems and subsystems. During the six-month period ended September 30, 2006, we recorded $2.0 million of severance-related costs in advance of the new organizational operating structure implemented in the third quarter of fiscal 2007.

The TWS II charge reflected the cost of procuring new material following recent design modifications, as well as the write-off of certain obsolete inventory. As a result of the design changes, we also transferred $30.0 million of saleable inventory from the TWS II program (transferred inventory) to inventory, which is valued at the lower of cost or market as of September 30, 2007. We believe that the transferred inventory will be sold primarily through international distribution channels. The sale of certain products outside of the United States is highly regulated, and any inability to obtain the requisite licenses or comply with applicable government export regulations may affect our ability to export the transferred inventory. If we are precluded from the sale of the transferred inventory to certain international customers and, or are unable to generate sufficient domestic revenues, the value of the transferred inventory may be required to be written-down or written-off in a future period. Such a write-down or write-off could be material to the results of operations in any one period.

Sustainment Systems Segment Revenues increased $32.1 million, or 17.4%, to $216.4 million for the six-month period ended September 30, 2007, as compared with the corresponding prior-year period. Operating income increased $10.5 million, or 42.5%, to $35.1 million. The primary drivers of the increase in revenues were demand for replacement environmental control systems for missile launch and alert facilities and increased shipments of tactical quiet generators sets and heavy mobile ammunition trailers for the U.S. Army. Partially offsetting overall higher revenues was lower demand for spares and repairs for certain generator sets.

The increase in operating income over the corresponding period in the prior year was due to an $11.7 million curtailment gain recorded for one of our retirement plans. Higher overall revenues were offset by cost growth on certain defense electronics and environmental programs. During the six-month period ended September 30, 2006, we recorded $1.2 million of severance-related costs in advance of the new organizational operating structure implemented in the third quarter of fiscal 2007.

Technical Services Segment Revenues increased $2.4 million, or 0.7%, to $352.8 million for the six-month period ended September 30, 2007, as compared with the corresponding prior-year period. Operating income increased $0.3 million, or 1.3%, to $25.5 million. The primary revenue drivers in the segment were demand for equipment and services provided under the R2 program and higher demand for a satellite transmission services program, largely offset by lower volume from add-on commercial vehicle armor kits and for the defense communication transmission system program.

Operating income essentially was unchanged. The settlement of an assumed liability related to the ESSI acquisition and higher overall revenues were offset by a lower margin defense communications transmission system program and to cost growth on certain engineering and logistics programs. During the six-month period ended September 30, 2006, we recorded $0.5 million of severance-related costs in advance of the new organizational operating structure implemented in the third quarter of fiscal 2007.

Other The operating loss in Other consists of certain non-allocable general and administrative expenses at DRS corporate. During the six-month period ended September 30, 2006, we realized a $1.3 million gain on the collection of a note receivable that previously had been partially reserved.

Liquidity and Capital Resources

	Six Months Ended September 30,	
	2007	**2006**
	(in thousands)	
Net cash provided by operating activities	$ 60,741	$ 32,329
Net cash used in investing activities	$ (32,449)	$ (36,078)
Net cash (used in) provided by financing activities	$ (72,332)	$ 37,535

Operating activities During the six months ended September 30, 2007, we generated $60.7 million of operating cash flow, $28.4 million more than the $32.3 million of operating cash flow generated in the same period in the prior year. Net earnings decreased $1.8 million to $44.7 million. Non-cash adjustments to reconcile net earnings to cash flows from operating activities increased $26.3 million over the corresponding period in the prior year, driven primarily by a $36.8 million non-cash write-off of inventory related to the TWS II program, offset in-part by a non-cash pension curtailment gain of $11.7 million.

Changes in assets and liabilities, net of effects from business combinations, used $61.5 million in cash for the six months ended September 30, 2007. Inventories used $48.0 million of cash during the period primarily driven by the TWS II program, as we continued to procure new material following recent design modifications. The increase in TWS II inventory and certain other programs was offset, in part, by increased shipments of ground-based target acquisition and missile control subsystems and progress related payments received on tactical generators. Accounts payable used $40.1 million of cash during the period. Customer advances provided $32.7 million of cash during the period, as a result of payments received on ground-based target acquisition and missile control subsystems, vision enhancement equipment for ground-based vehicles, and thermal imaging systems and subsystems for a long-range surveillance system. Accounts receivable provided $23.4 million of cash, as net collections exceeded billings. Accrued expenses and other current liabilities used $29.3 million of cash, mainly due to the payment of income taxes and the liquidation of certain contract-related reserves.

Investing activities We paid $32.5 million for capital improvements during the six months ended September 30, 2007, as compared with $27.2 million in the corresponding prior-year period. We expect

our capital expenditures to be in the range of $70.0 million to $85.0 million in fiscal 2008, as we continue to upgrade our facilities and information technology infrastructure.

Financing activities For the six months ended September 30, 2007, financing activities used $72.3 million in cash. We prepaid $75 million of our term loan and made $2.7 million in scheduled repayments under various long-term debt arrangements during the first six months of fiscal 2008. We also received $7.6 million from the exercise of stock options and related excess tax benefits, and paid $2.4 million in cash dividends.

Simultaneously with the closing of our acquisition of Engineered Support Systems, Inc. (ESSI), on January 31, 2006 we entered into an amended and restated credit facility for up to an aggregate amount of $675.0 million with a syndicate of lenders (the Credit Facility), replacing our previously existing credit facility. The Credit Facility consists of a $400.0 million senior secured revolving line of credit and a $275.0 million senior secured term loan. We are permitted, on no more than two occasions, to increase the aggregate amount of the Credit Facility by up to $250.0 million, subject to certain restrictions. Any increase in the aggregate amount of the Credit Facility may be borrowed in the form of either additional term loans or available amounts under the revolving line of credit. The Credit Facility is guaranteed by substantially all of DRS's domestic subsidiaries. In addition, it is collateralized by liens on substantially all of the assets of our subsidiary guarantors' and certain of DRS's other subsidiaries' assets and by a pledge of a portion of certain of our non-guarantor subsidiaries' capital stock.

From time to time, we enter into standby letters-of-credit and bank guarantee agreements with financial institutions and customers, primarily relating to the guarantee of our future performance on certain contracts to provide products and services and to secure advance payments we have received from our customers. As of September 30, 2007, $46.3 million was contingently payable under letters of credit and bank guarantees. Of this amount, approximately $0.9 million and $0.3 million in letters of credit and bank guarantees, respectively, as of September 30, 2007 were issued under a previous credit agreement and by a bank agreement for our U.K. subsidiary, respectively, and are not considered when determining the availability under our revolving line of credit. At September 30, 2007, we had $354.9 million of availability under our revolving line of credit.

On March 29, 2006, DRS Technologies Canada Company (DRS Canada) established a five-year senior secured term loan for approximately $9.9 million (C$11.5 million), maturing on April 1, 2011. The proceeds of the loan were utilized to permit repatriation of certain amounts from Canada to the U.S., which were subject to more favorable tax treatment under the Jobs Act. The debt is collateralized by the assets of DRS Canada and guaranteed by DRS Technologies, Inc. We are subject to the same financial covenants under the DRS Canada loan, as we are under the Credit Facility, and DRS Canada is subject to other non-financial covenants that are similar to those described for the Credit Facility.

On October 30, 2003, we issued $350.0 million aggregate principal amount of $6^{7}/_{8}$% senior subordinated notes, due November 1, 2013 (the October 2003 Notes). The net proceeds of the October 2003 Notes, together with a portion of our available cash and initial borrowings under the then existing credit facility, were used to fund the acquisition of Integrated Defense Technologies, Inc. (IDT), repay certain of DRS's and IDT's outstanding indebtedness, and pay related fees and expenses. The October 2003 Notes were issued under an indenture with The Bank of New York. Subject to a number of exceptions, the indenture restricts our ability and the ability of our subsidiaries to incur more debt, pay dividends and make distributions, make certain investments, repurchase stock, create liens, enter into transactions with affiliates, enter into sale lease-back transactions, merge or consolidate, and transfer or sell assets. The October 2003 Notes are unconditionally guaranteed, jointly and severally, by DRS's current and future wholly-owned domestic subsidiaries. The foreign subsidiaries and certain domestic subsidiaries of DRS do not guarantee the October 2003 Notes.

On December 23, 2004, we issued an additional $200.0 million aggregate principal amount of $6^{7}/_{8}$% senior subordinated notes, due November 2013 (the December 2004 Notes). The December 2004 Notes

were offered as additional debt securities under our indenture with the Bank of New York with identical terms and the same guarantors as the October 2003 Notes.

On January 31, 2006, in connection with the acquisition of ESSI, we issued $900.0 million of new debt securities, including $350.0 million aggregate principal amount of $6^5/8$% senior notes due 2016, $250.0 million aggregate principal amount of $7^5/8$% senior subordinated notes due 2018 (collectively called the January 2006 Notes) and $300.0 million aggregate principal amount of 2.0% convertible senior notes due 2026 (Convertible Notes). On February 8, 2006, we sold an additional $45.0 million of Convertible Notes pursuant to an overallotment option exercised by the initial purchasers of the Convertible Notes. The net proceeds of the January 2006 Notes and the Convertible Notes, together with a portion of our available cash and initial borrowings under the Credit Facility, were used to fund the ESSI acquisition, repay certain of ESSI's outstanding indebtedness, and pay related fees and expenses.

In January 2006, in connection with the offering of our 2% Convertible Senior Notes due 2026 (Convertible Notes), we entered into a registration rights agreement relating to our Common Stock issuable upon conversion of the Convertible Notes. Pursuant to the registration rights agreement, if we do not file a prospectus supplement or shelf registration statement relating to the resale of the Common Stock within certain specified time periods or maintain the effectiveness of a registration statement related to the resale of the Common Stock, subject to certain exceptions, we could be subject to additional interest. We believe the likelihood of occurrence of such event is remote and, as such, we have not recorded a liability at September 30, 2007. In the event that it becomes probable that we would have to pay additional interest under the registration rights agreement, we estimate the maximum potential amount as of September 30, 2007 to be approximately $3.5 million per year.

The January 2006 Notes are unsecured. The $7^5/8$% senior subordinated notes rank behind the Credit Facility, the $6^5/8$% senior notes, the Convertible Notes and trade payables, and are *pari passu* with the $6^7/8$% senior subordinated notes. The January 2006 Notes were issued under indentures with The Bank of New York. Subject to a number of exceptions, the indentures restrict our ability and the ability of our subsidiaries to incur more debt, pay dividends and make distributions, make certain investments, repurchase stock, create liens, enter into transactions with affiliates, enter into sale lease-back transactions, merge or consolidate, and transfer or sell assets. The January 2006 Notes are unconditionally guaranteed, jointly and severally, by certain of our existing and future domestic subsidiaries.

Certain of our debt arrangements contain customary representations, warranties and default provisions, as well as restrictions that, among other things, limit the amount of debt that we may have outstanding. As of September 30, 2007, we were in compliance with all such financial covenants.

Accrued interest expense at September 30, 2007 and March 31, 2007 was approximately $25.4 million and $25.6 million, respectively.

Based upon our anticipated level of future operations, we believe that our existing cash and cash equivalents balances and our cash generated from operating activities, together with available borrowings under our amended and restated senior secured credit facility, will be adequate to meet our anticipated requirements for working capital, capital expenditures, commitments, research and development expenditures, contingent purchase prices, program and other discretionary investments, and interest and principal payments for the foreseeable future. There can be no assurance, however, that our business will continue to generate cash flow at current levels. If we are unable to generate sufficient cash flow from operations to service our debt, we may be required to sell assets, reduce capital expenditures, refinance all or a portion of our existing debt or obtain additional financing. Our ability to make scheduled principal payments or to pay interest on or to refinance our indebtedness depends on our future performance and financial results, which, to a certain extent, are subject to general conditions in or affecting the defense industry and to general economic, political, financial, competitive, legislative and regulatory factors beyond our control. There can be no assurance that

sufficient funds will be available to enable us to service our indebtedness, make necessary capital expenditures or to make discretionary investments.

Dividends On August 9, 2007, the Board of Directors declared a $0.03 per common share cash dividend, payable on September 28, 2007 to stockholders of record as of September 14, 2007. On November 8, 2007, the Board of Directors declared a $0.03 per common share cash dividend, payable on December 31, 2007 to stockholders of record as of December 14, 2007.

Free cash flow Free cash flow represents net cash provided by operating activities less capital expenditures. Free cash flow for the three-month period ended September 30, 2007 was $41.6 million, or $2.5 million less than $44.1 million in the corresponding period in the prior year. Free cash flow for the six-month period ended September 30, 2007 was $28.2 million, or $23.1 million more than $5.1 million in the corresponding period in the prior year. See "Use of Non-GAAP Financial Measures" below for additional discussion and information.

EBITDA Net earnings before net interest and related expenses (primarily the amortization and write-off of debt premium and issuance costs), income taxes, depreciation and amortization (EBITDA) for the three-month period ended September 30, 2007 was $110.2 million, or $19.6 million more than the $90.6 million in the corresponding period in the prior year. EBITDA for the six-month period ended September 30, 2007 was $159.5 million or $14.7 million less than the $174.2 million in the corresponding period in the prior year. See "Use of Non-GAAP Financial Measures" below for additional discussion and information.

Off-Balance Sheet Financing Arrangements We have $345 million of 2% senior convertible notes with a conversion price of $59.70 per share. Upon conversion, we would satisfy our obligation to convert the notes by delivering to the holders cash for the principal amount of the notes and stock for the value of the notes in excess of the principal amount of the notes, as defined in the convertible debt agreement. We believe the number of shares to be issued upon conversion does not pose a reasonable likelihood of potential significant dilution over the next twelve months. For further information on our Convertible Notes, see Note 8 to our Consolidated Financial Statements.

In addition, there are 2.4 million stock options outstanding to purchase DRS common stock at a weighted average exercise price of $35.72 per share and 0.6 million of non-vested stock awards outstanding at September 30, 2007 that represent additional potential dilution.

We have not entered into any other off-balance sheet financing arrangements.

Contractual Obligations Our contractual obligations and commitments principally include obligations associated with our outstanding indebtedness, future minimum operating lease obligations, acquisition earn-outs and purchase obligations. Except as discussed below, the disclosures relating to our contractual obligations in our Annual Report on Form 10-K for the year ended March 31, 2007 have not materially changed since we filed that report. Based upon the expiration of statutes of limitations and/or the conclusion of tax examinations in several jurisdictions, we believe it is reasonably possible that the total amount of previously unrecognized tax benefits may decrease by up to $6.8 million within twelve months of September 30, 2007. We are unable to reasonably determine any amounts for years subsequent to September 30, 2008. See Note 3, Income Taxes in the notes to the unaudited condensed consolidated financial statements contained in this report.

Backlog Funded backlog represents products or services that our customers have committed by contract to purchase from us. Due to the general nature of defense procurement and contracting, the operating cycle for our military business typically has been long term. Military backlog currently consists of various production and engineering development contracts with varying delivery schedules and project timetables. Our backlog also includes certain commercial off-the-shelf (COTS)-based systems for the military, which have shorter delivery times. Accordingly, revenues for a particular year, or year-to-year comparisons of reported revenues and related backlog positions, may not be indicative

of future results. Backlog at September 30, 2007 was $3.59 billion, as compared with $3.04 billion at March 31, 2007. We booked $1.11 billion and $2.05 billion in new orders for the three- and six-month periods ended September 30, 2007.

Internal Research and Development In addition to customer-funded research and development, we also engage in internal research and development. These expenditures reflect our continued investment in new technology and diversification of our products. Expenditures for internal research and development for the three-month periods ended September 30, 2007 and 2006 were $14.1 million and $14.3 million, respectively, and $25.5 million and $25.3 million for the six-month periods ended September 30, 2007 and 2006, respectively.

Use of Non-GAAP Financial Measures Certain disclosures in this document include "non-GAAP (Generally Accepted Accounting Principles) financial measures." A non-GAAP financial measure is defined as a numerical measure of our financial performance that excludes or includes amounts so as to be different than the most directly comparable measure calculated and presented in accordance with GAAP in our Consolidated Balance Sheets, Statements of Earnings or Statements of Cash Flows. The components of EBITDA and a reconciliation of EBITDA and "free cash flow" with the most directly comparable GAAP measure follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2007	2006	2007	2006
	(in thousands)			
Net Earnings	$ 43,034	$ 25,231	$ 44,684	$ 46,489
Income taxes	20,566	15,821	21,536	29,331
Interest income	(380)	(322)	(939)	(498)
Interest and related expenses	28,106	30,619	56,816	60,521
Depreciation and amortization	18,847	19,238	37,360	38,363
EBITDA(A)	110,173	90,587	159,457	174,206
Income taxes	(20,566)	(15,821)	(21,536)	(29,331)
Interest income	380	322	939	498
Interest and related expenses	(28,106)	(30,619)	(56,816)	(60,521)
Deferred income taxes	4,711	3,623	3,785	4,083
Changes in assets and liabilities, net of effects from business combinations and divestitures	(1,985)	6,363	(61,507)	(65,435)
Other, net	(4,393)	3,816	36,419	8,829
Net cash provided by operating activities	60,214	58,271	60,741	32,329
Capital expenditures	(18,604)	(14,138)	(32,497)	(27,218)
Free cash flow(B)	$ 41,610	$ 44,133	$ 28,244	$ 5,111

(A) We define EBITDA as net earnings before net interest and related expenses (principally amortization and write-off of debt premium and issuance costs), income taxes, depreciation and amortization. The table above presents the components of EBITDA and a reconciliation of EBITDA to net cash provided by operating activities. EBITDA is presented as additional information because we believe it to be a useful indicator of our debt capacity and our ability to service our debt. EBITDA is not a substitute for operating income, net earnings or cash flows from operating activities, as determined in accordance with GAAP. EBITDA is not a complete net cash flow measure because EBITDA is a measure of liquidity that does not reflect cash flows from discontinued operations, and does not include reductions for cash payments for an entity's obligation to service debt, fund working capital, business acquisitions and capital expenditures, and pay income taxes. Rather, EBITDA is one potential indicator of an entity's ability to fund these cash requirements. EBITDA also is not a complete measure of an entity's

profitability because it does not include costs and expenses for depreciation and amortization, interest and related expenses and income taxes, and it also does not include the results of operations of discontinued operations. EBITDA, as we defined it, may differ from similarly named measures used by other entities and, consequently, could be misleading unless all entities calculate and define EBITDA in the same manner.

(B)

Free cash flow is defined as net cash provided by operating activities less capital expenditures. We disclose free cash flow because we believe that it is useful in evaluating our financial performance and measuring cash flows generated that are available for investing and financing activities. We believe that the most directly comparable GAAP financial measure to free cash flow is net cash provided by operating activities. Free cash flow represents cash generated after paying for interest on borrowings, income taxes, capital expenditures and changes in working capital, but before repaying outstanding debt, investing cash to acquire businesses and making other strategic investments, and it does not reflect cash flows of discontinued operations. Thus, key assumptions underlying free cash flow are that we will be able to refinance our existing debt when it matures with new debt and that we will be able to finance any new acquisitions we make by raising new debt or equity capital. We also use free cash flow as a performance measure and a component of our management incentive compensation program. Free cash flow, as we define it, may differ from similarly named measures used by other entities and, consequently, could be misleading unless all entities calculate and define free cash flow in the same manner.

OTHER MATTERS

New Accounting Pronouncements

New accounting pronouncements have been issued by the Financial Accounting Standards Board which are not effective until after September 30, 2007. For further discussion of new accounting standards, see Note 18 to our Consolidated Financial Statements in Item 1.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk

See Part II, Item 7A, "Qualitative and Quantitative Disclosures About Market Risk," of the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2007 for a discussion of the Company's exposure to market risks.

Item 4. Controls and Procedures

(a) Disclosure Controls and Procedures The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

(b) Internal Control Over Financial Reporting There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended September 30, 2007 that materially have affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Various legal actions, claims, assessments and other contingencies, including certain matters described below, are pending against us and certain of our subsidiaries. These matters are subject to many uncertainties, and it is possible that some of these matters ultimately could be decided, resolved or settled adversely. We have recorded accruals totaling $3.0 million at both September 30, 2007 and March 31, 2007 for losses related to those matters that we consider to be probable and that can be reasonably estimated (certain legal and environmental matters are discussed in detail below). Although, at September 30, 2007, the precise amount of liability that may result from those matters for which we have recorded accruals is not ascertainable, we believe that any amounts exceeding our recorded accruals should not materially affect our financial condition or liquidity. It is possible, however, that the ultimate resolution of those matters could result in a material adverse effect on our results of operations and/or cash flows from operating activities for a particular reporting period.

Some environmental laws, such as the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (also known as CERCLA or the Superfund law) and similar state statutes, can impose liability for the entire cost of the clean up of contaminated sites upon any of the current or former site owners or operators (or upon parties who send waste to these sites), regardless of the lawfulness of the original activities that led to the contamination. In July 2000, prior to its acquisition by Integrated Defense Technologies Inc. (IDT), and prior to our acquisition of IDT, Tech-Sym Corporation received a Section 104(e) Request for Information from the National Park Service (NPS), pursuant to CERCLA, regarding a site known as the Orphan Mine site in the Grand Canyon National Park, Arizona, which is the subject of an NPS investigation regarding the presence of residual radioactive materials and contamination. A corporation of which Tech-Sym is an alleged successor operated this uranium mine from 1956 to 1967. In 1962, the land was transferred to the U.S. government and the alleged predecessor of Tech Sym was given a 25-year mining lease. In 1967, the mining rights were transferred to a third party by a trustee in bankruptcy, and we believe that the mine was operated by such third party until approximately 1969. We understand that there are other companies in the chain of title to the mining rights subsequent to Tech-Sym's alleged predecessor, and, accordingly, that there are other potentially responsible parties (PRPs) for the environmental conditions at the site, including the U.S. government as owner, operator and arranger at the site. During its period of ownership, IDT retained a technical consultant in connection with this matter, who conducted a limited, preliminary review of site conditions and communicated with the NPS regarding actions that may be required at the site by all of the PRPs. On February 6, 2005, the NPS sent us an Engineering Evaluation/Cost Analysis Work Plan (the NPS EE/CA) under CERCLA (the CERCLA Letter) with regards to Operable Unit 1 of the Orphan Mine site. In our view, the NPS EE/CA included additional clean up not covered by CERCLA. The CERCLA Letter also requested (a) payment of $0.5 million for costs incurred by the NPS related to the Orphan Mine, and (b) a "good faith offer" to conduct the response activity outlined by the NPS and to reimburse the NPS for future costs. The NPS advised that a similar letter had been sent to another PRP. We initiated discussions with the other PRP and with NPS, and engaged a technical consultant to evaluate the existing documentation and the site in depth. As a result the technical consultant submitted to the NPS, on behalf of us and the other PRP, an alternative Engineering Evaluation/Cost Analysis Work Plan (the alternative EE/CA) with regard to Operable Units 1 and 2 of the Orphan Mine site.

Since late 2005, the PRPs and NPS have discussed the technical merits of the alternative EE/CA and ways to resolve certain differences between the alternative EE/CA and the NPS EE/CA provided with the CERCLA Letter. The parties also have discussed certain legal issues relating to the process for implementing an alternative EE/CA and entering into a settlement agreement that would memorialize the parties' intent. The potential liability associated with this matter can change substantially due to such factors as additional information on the nature or extent of contamination,

methods of remediation that might be recommended or required, changes in the apportionment of costs among the responsible parties and other actions by governmental agencies or private parties.

In connection with our acquisition of ESSI in January 2006, we have been made aware of certain legal actions, claims, assessments and other contingencies, including those described below.

In December 2004, ESSI was notified by the Enforcement Division of the SEC of the issuance of a formal order directing a private investigation and was notified that the SEC had issued subpoenas to various individuals associated with ESSI to produce certain documents. The SEC staff also requested that ESSI produce certain documents in connection with the investigation. The subpoenas related to trading in ESSI stock around ESSI's earnings releases in 2003 and to the adequacy of certain disclosures made by ESSI regarding related-party transactions in 2002 and 2003 involving insurance policies placed by ESSI through an insurance brokerage firm in which an ESSI director was a principal at the time of the transactions. In February 2007, the SEC filed a civil injunctive action in the United States District Court for the Eastern District of Missouri, Eastern Division, against a former director, officer and consultant of ESSI, alleging that he had violated the federal securities laws by "tipping" his financial advisor and close friend by sharing material, nonpublic information regarding ESSI's financial condition shortly before certain 2003 earnings announcements.

On or about September 23, 2005, the SEC staff advised ESSI's counsel that it had issued a subpoena directed to ESSI and expanded its investigation to include ESSI's disclosure of a November 2004 stop work order relating to ESSI's Deployable Power Generation and Distribution Systems (DPGDS) program for the U.S. Air Force and relating to trading in ESSI stock by certain individuals associated with ESSI. In connection with the foregoing SEC investigation, ESSI and certain of its directors and officers have provided information and/or testimony to the SEC.

In January 2006, ESSI was informed that the Office of the U.S. Attorney for the Eastern District of Missouri was initiating an investigation into ESSI's disclosure of the DPGDS stop-work order and into trading in ESSI stock by ESSI insiders, which preceded such disclosure. The U.S. Attorney's office advised ESSI that although it considered ESSI to be a subject of its investigation, ESSI was not a target. In connection with this investigation, the U.S. Attorney's office issued ESSI a subpoena requesting specified information, which ESSI has furnished.

In May 2006, we were advised that the Enforcement Division of the SEC and the U.S. Attorney's office each had expanded its investigation to include possible "backdating" of the timing of option grants at ESSI prior to the time ESSI was acquired by us. As a part of its investigation, the SEC issued subpoenas to certain former officers and employees of ESSI to provide testimony and produce certain documents.

In February 2007, the SEC filed civil injunctive actions in the United States District Court for the Eastern District of Missouri, Eastern Division, alleging that ESSI's former Chief Financial Officer and former Controller each had participated in a backdating scheme. Also in February 2007, the SEC reported that ESSI's former Controller had settled its action against him by consenting to disgorgement, financial penalties, an officer and director bar and a permanent suspension from practicing before the SEC as an accountant. In July 2007, the SEC filed civil injunctive actions in the United States District Court for the Eastern District of Missouri, Eastern Division, alleging that ESSI's former Chairman of the Board and Chief Executive Officer and his son (who was also a member of ESSI's Board of Directors and Compensation Committee) each participated in a backdating scheme.

In March 2007, ESSI's former Controller pleaded guilty to a one-count information brought by the office of the United States Attorney for the Eastern District of Missouri, charging him with making false statements to the government. In connection with his plea, this former ESSI executive admitted that a number of documents filed by ESSI with the SEC contained the materially false statement that the option price of shares subject to the ESSI stock option plan was the closing price of the stock on the date the options were awarded.

In March 2007, ESSI's former Chief Financial Officer was indicted by the grand jury of the United States District Court for the Eastern District of Missouri relating to the backdating of the timing of stock options at ESSI prior to the time ESSI was acquired by DRS. In July 2007, ESSI's former Chairman of the Board and Chief Executive Officer and his son (who was also a member of ESSI's Board of Directors and Compensation Committee) each were indicted on similar charges. The July 2007 superseding indictment charges these former ESSI officers and directors with twelve counts of fraud based on allegations that they backdated stock options on at least eight occasions between 1996 and 2002.

Although ESSI continues to be a subject of the U.S. Attorney's office's investigation, the U.S. Attorney's office has advised us that ESSI is not a target. Because the events being investigated occurred prior to the time of our acquisition of ESSI, the U.S. Attorney's office further has advised us that it considers DRS to be a witness, not a subject or target of its investigation.

We are committed to full cooperation with regard to the foregoing investigations. We are unable to determine at this time either the timing of the SEC or U.S. Attorney's office investigations or the impact, if any, the investigations could have on us.

In September 2006, the Internal Revenue Service commenced an audit of ESSI's Federal tax returns for the tax periods ended October 31, 2004, October 31, 2005 and January 31, 2006. Thereafter, the Internal Revenue Service agreed, subject to Congressional approval, to close these audits based on ESSI's agreement to accept certain proposed adjustments (primarily involving the reversal of certain compensation deductions taken during these tax years) and a corresponding assessment of approximately $11.3 million (exclusive of interest) which was previously accrued. In September 2007, we received written confirmation from the Congressional Joint Committee on Taxation that it took no exception to the proposed adjustments.

In August 2007, a shareholder derivative complaint was filed in the United States District Court for the Eastern District of Missouri against ESSI's former Chairman of the Board and Chief Executive Officer, his son (who was also a member of ESSI's Board of Directors and Compensation Committee), ESSI's former Chief Financial Officer and ESSI's former Controller relating to the alleged backdating of stock options prior to ESSI's acquisition by DRS. The complaint also contains claims against each of the current members of DRS's Board of Directors relating to the alleged backdating of ESSI stock options and the ESSI acquisition. We believe the claims made against the current DRS Directors are without merit.

In July 2006, DRS Technologies, Inc. and one of its subsidiaries, DRS Training & Control Systems, Inc., each were issued a subpoena by the United States District Court for the Northern District of Florida. The subpoenas were issued in connection with an investigation conducted by the Antitrust Division of the U.S. Department of Justice involving allegations of possible anticompetitive activity in certain international markets. On June 21, 2007, we received written notification from the Antitrust Division of the Department of Justice that they had closed this investigation.

Item 1.A. Risk Factors

In addition to the information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended March 31, 2007, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 4. Submissions of Matters to a Vote of Security Holders

On August 9, 2007, the Company held its Annual Meeting of Stockholders at our corporate offices located at 5 Sylvan Way, Parsippany, New Jersey, 07054. The following matters were submitted to a vote of stockholders:

i. To elect four Class III directors, each to hold office for a term of three years;

ii. To ratify the appointment of KPMG LLP as DRS's independent registered public accounting firm;

iii. To ratify the adoption of the DRS Technologies, Inc. Amended and Restated Incentive Compensation Plan.

The following summarizes the voting results:

	For	Withheld	
Proposal (i):			
William F. Heitmann	36,941,079	366,266	
C. Shelton James	36,941,191	366,191	
Stuart F. Platt	35,305,866	2,001,479	
Eric J. Rosen	36,910,013	397,013	
	For	**Abstain**	**Against**
Proposal (ii):	36,936,262	10,720	227,753
	For	**Abstain**	**Against**
Proposal (iii):	32,483,244	66,014	706,445

Items 2, 3 and 5 are not applicable and have been omitted.

Item 6. Exhibits

(a) Exhibits

Exhibit No.	Description
10.1	DRS Technologies, Inc. Incentive Compensation Plan, incorporated by reference from DRS's definitive proxy statement filed July 3, 2007
10.2*	First Amendment to the DRS Technologies, Inc. Incentive Compensation Plan effective as of November 8, 2007
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed herewith

SIGNATURES

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

	DRS TECHNOLOGIES, INC.
Date: November 9, 2007	/s/ RICHARD A. SCHNEIDER
	Richard A. Schneider *Executive Vice President, Chief Financial Officer*

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