

DRS TECHNOLOGIES INC  
Form S-4/A  
October 09, 2003

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As filed with the Securities and Exchange Commission on October 9, 2003

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# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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## Amendment No. 1 to FORM S-4

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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### DRS TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

**Delaware**  
(State of Incorporation)

**3812**  
(Primary Standard Industrial  
Classification Code Number)

**13-2632319**  
(I.R.S. Employer Identification No.)

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**5 Sylvan Way**  
**Parsippany, New Jersey 07054**  
**(973) 898-1500**

(Address, including zip code, and telephone number, including  
area code, of registrant's principal executive offices)

**Nina Laserson Dunn, Esq.**  
**Executive Vice-President, General Counsel and Secretary**  
**DRS Technologies, Inc.**  
**5 Sylvan Way**  
**Parsippany, New Jersey 07054**  
**(973) 898-1500**

(Name, address, including zip code, and telephone number, including  
area code, of agent for service)

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**Jeffrey W. Tindell, Esq.**  
Skadden, Arps, Slate, Meagher & Flom LLP  
Four Times Square  
New York, New York 10036  
(212) 735-3000

**With copies to:**  
**Benjamin M. Polk, Esq.**  
Winston & Strawn LLP  
200 Park Avenue  
New York, New York 10166  
(212) 294-6700

**Thomas J. Keenan**  
Chief Executive Officer  
Integrated Defense Technologies, Inc.  
110 Wynn Drive  
Huntsville, Alabama 35805  
(256) 895-2000

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement is declared effective and the satisfaction or waiver of all other conditions to the merger as described in the enclosed proxy statement/prospectus.

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If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, please check the following box

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Common Stock, par value \$0.01 per share	4,323,172	\$103,760,384.32	\$8,394.22

- (1) Based upon the maximum number of shares of common stock, par value \$0.01 per share, of DRS Technologies, Inc. that may be issued in connection with the merger described herein. The actual number of shares to be issued will vary depending on the average closing sale price for common stock of DRS Technologies, Inc. on the NYSE Composite Transactions Tape (trading symbol NYSE:DRS) for the ten consecutive trading days ending with the second complete trading day prior to the closing date of the merger.
- (2) Estimated pursuant to Rule 457(f)(1) and (f)(3) solely for the purpose of calculating the registration fee and based upon the average of the high and low prices of Integrated Defense Technologies, Inc. common stock reported by the NYSE on September 9, 2003.
- (3) Computed in accordance with Rule 457(f) and Section 6(b) under the Securities Act by multiplying (A) the proposed maximum aggregate offering price for all securities to be registered by (B) 0.0000809.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

### INTEGRATED DEFENSE TECHNOLOGIES, INC.

October 9, 2003

Dear Stockholder of Integrated Defense Technologies, Inc.:

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On August 15, 2003, the board of directors of Integrated Defense Technologies, Inc. ("IDT") approved an agreement authorizing the merger of IDT with a wholly-owned subsidiary of DRS Technologies, Inc. ("DRS"). As a result of the merger, DRS will acquire IDT. We are sending you this proxy statement/prospectus to ask you to vote on the adoption of the merger agreement and the approval of the merger.

Upon successful completion of the merger, you will be entitled to receive a combination of cash and shares of DRS common stock in exchange for your IDT shares. The merger consideration for each share of IDT common stock is \$12.25 in cash and a fraction of one share of DRS common stock equal to \$5.25 divided by the lesser of (a) \$28.00 and (b) the greater of (i) the average New York Stock Exchange closing price of DRS common stock for the ten trading day period ending with the second complete trading day prior to the closing of the merger and (ii) \$25.90.

DRS and IDT common shares are listed on The New York Stock Exchange. DRS is listed under the trading symbol "DRS" and IDT is listed under the trading symbol "IDE". On October 7, 2003, the closing prices of a share of DRS common stock and IDT common stock were \$24.69 and \$17.00, respectively.

We will hold a special meeting of our stockholders at the offices of Winston & Strawn LLP, 200 Park Avenue, New York, New York 10166, on November 4, 2003 to consider and vote on the adoption of the merger agreement and approval of the merger. Only IDT stockholders who hold their IDT shares at the close of business on October 9, 2003, the record date for the special meeting, will be entitled to vote at the special meeting.

**Before deciding how to vote, you should consider the "Risk Factors" beginning on page 19 of the proxy statement/prospectus.**

Although your vote is very important, you should be aware that the stockholders who own approximately 55.1% of our outstanding shares have already agreed with DRS to vote or cause to be voted, subject to certain termination rights, all of the IDT shares they own and have a right to vote in favor of the adoption of the merger agreement and approval of the merger, which will be sufficient to adopt the merger agreement and approve the merger regardless of the vote of any other IDT stockholders.

Your board of directors has determined that the merger agreement and the merger are advisable, fair to and in the best interests of IDT and its stockholders and recommends that you vote "FOR" the adoption of the merger agreement and approval of the merger. The merger cannot be completed unless the holders of a majority of the outstanding shares of IDT common stock vote to adopt the merger agreement and approve the merger. Whether or not you plan to attend the special meeting, please take the time to vote by submitting a valid proxy promptly. If your shares of IDT common stock are registered in your own name, you may submit your proxy by completing and mailing the enclosed proxy card to IDT. If your shares are held in "street name," you should follow the directions your broker or bank provides in order to ensure your shares are voted at the special meeting. If you sign, date and

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mail your proxy card without indicating how you want to vote, your proxy will be counted as a vote in favor of adoption of the merger agreement and approval of the merger. If you fail to submit your proxy, the effect will be a vote against adoption of the merger agreement and approval of the merger. Returning your proxy does not deprive you of your right to attend the meeting and to vote your shares in person should you decide to do so.

Granting your proxy will impact your appraisal rights. Under Delaware law, only IDT stockholders who do not vote in favor of the adoption of the merger agreement and approval of the merger and who otherwise comply with the provisions of Section 262 of the General Corporation Law of the State of Delaware will be entitled, if the merger is completed, to statutory appraisal of the fair value of their shares of IDT common stock as discussed in the proxy statement/prospectus under "The Merger Appraisal Rights."

No vote of DRS stockholders is required to complete the merger.

The proxy statement/prospectus provides you with detailed information about the proposed merger. You may obtain additional information about us and DRS from documents we and DRS have filed with the Securities and Exchange Commission. See "Where You Can Find More Information." We also strongly encourage you to read the proxy statement/prospectus carefully.

Robert B. McKeon  
Chairman of the Board of Directors

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the shares of common stock to be issued by DRS under the proxy statement/prospectus or passed upon the adequacy or accuracy of the proxy statement/prospectus. Any representation to the contrary is a criminal offense.

The proxy statement/prospectus is dated October 9, 2003, and is being first mailed to stockholders on or about October 10, 2003.

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**Integrated Defense Technologies, Inc.  
110 Wynn Drive  
Huntsville, Alabama 35805**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

To the Stockholders of Integrated Defense Technologies, Inc.

A special meeting of stockholders of Integrated Defense Technologies, Inc. will be held at the offices of Winston & Strawn LLP, 200 Park Avenue, New York, New York 10166 on November 4, 2003 at 10:00 a.m., local time to consider and act upon the following matters:

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of August 15, 2003, by and among DRS Technologies, Inc., a Delaware corporation, MMC3 Corporation, a Delaware corporation and a wholly-owned subsidiary of DRS Technologies, Inc., and Integrated Defense Technologies, Inc., and to approve the merger contemplated thereby, pursuant to which Integrated Defense Technologies, Inc. will merge with MMC3 Corporation, with Integrated Defense Technologies, Inc. surviving the transaction as a wholly-owned subsidiary of DRS Technologies, Inc.
2. To transact such other business as may properly come before the special meeting or any adjournments thereof, including, without limitation, any proposal to adjourn or postpone the special meeting.

IDT's board of directors has fixed the close of business on October 9, 2003, as the record date for the determination of stockholders entitled to notice of, and to vote at, the special meeting or any adjournments or postponements of the special meeting. Therefore, only stockholders of record as of the close of business on October 9, 2003 are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting.

The accompanying proxy statement/prospectus describes the terms and conditions of the merger agreement and includes, as Annex A, the complete text of the merger agreement. We urge you to read the enclosed materials carefully for a complete description of the merger. The accompanying proxy statement/prospectus is a part of this notice. You are cordially invited to attend the special meeting. Your proxy is being solicited by IDT's board of directors. **Even if you plan to attend the special meeting, we urge you to submit a valid proxy promptly. If your shares of IDT common stock are registered in your own name, you may submit your proxy by signing, dating and returning the proxy, in the enclosed envelope, which requires no postage if mailed in the United States. If your shares are held in "street name", you should follow the directions your broker or bank provides.**

The merger agreement must be adopted by the holders of a majority of the shares of IDT common stock outstanding as of the record date. You should be aware that stockholders who own approximately 55.1% of our outstanding shares as of the record date have already agreed with DRS to vote or cause to be voted, subject to certain termination rights, all of the shares they own and have a right to vote in favor of the adoption of the merger agreement, which will be sufficient to adopt the merger agreement regardless of the vote of any other stockholders.

**Your vote is very important.** We urge you to review the enclosed materials and return your proxy card. **Your board of directors recommends that stockholders vote "FOR" the adoption of the merger agreement and the approval of the merger.**

By Order of the Board of Directors,

Thomas J. Campbell  
Secretary

October 9, 2003

*SUBJECT TO COMPLETION*

*October 9, 2003*

THE INFORMATION IN THIS PROXY STATEMENT/PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. DRS MAY NOT DISTRIBUTE AND ISSUE THE SHARES OF DRS COMMON STOCK BEING REGISTERED PURSUANT TO THIS REGISTRATION STATEMENT UNTIL THE REGISTRATION STATEMENT IS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROXY STATEMENT/PROSPECTUS IS NOT AN OFFER TO DISTRIBUTE THESE SECURITIES AND DRS IS NOT SOLICITING OFFERS TO RECEIVE THESE SECURITIES IN ANY STATE WHERE SUCH OFFER OR DISTRIBUTION IS NOT PERMITTED.

**PROXY STATEMENT/PROSPECTUS**

Integrated Defense Technologies, Inc. ("IDT"), DRS Technologies, Inc. ("DRS") and MMC3 Corporation, a wholly-owned subsidiary of DRS ("Merger Sub"), have entered into an Agreement and Plan of Merger (referred to in this proxy statement/prospectus as the "merger agreement") dated as of August 15, 2003, pursuant to which DRS will acquire IDT through a merger of Merger Sub with and into IDT.

The merger consideration for each share of IDT common stock is \$12.25 in cash and a fraction of one share of DRS common stock equal to \$5.25 divided by the lesser of (a) \$28.00 and (b) the greater of (i) the average New York Stock Exchange ("NYSE") closing price of DRS common stock for the ten trading day period ending with the second complete trading day prior to the closing of the merger and (ii) \$25.90.

IDT's board of directors has approved the merger and the merger agreement and has recommended that IDT stockholders vote "FOR" the approval of the merger and adoption of the merger agreement.

This proxy statement/prospectus was first mailed to IDT stockholders on or about October 10, 2003.

IDT stockholders should carefully read the section entitled "Risk Factors" beginning on page 19 for a discussion of specific risks that should be considered in determining how to vote on the matters described herein.

Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved the securities to be issued under this proxy statement/prospectus or determined if this proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

Information included in the proxy statement/prospectus regarding DRS and IDT was provided by DRS and IDT, respectively. Neither company assumes any responsibility for information provided by the other company.

**REFERENCES TO ADDITIONAL INFORMATION**

This proxy statement/prospectus incorporates important business and financial information about DRS Technologies, Inc. and Integrated Defense Technologies, Inc. from documents that are not included in or delivered with this proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain documents incorporated by reference in this proxy statement/prospectus by requesting them in writing, by telephone or by e-mail from the appropriate company with the following contact information:

**Integrated Defense Technologies, Inc.**

Investor Relations  
110 Wynn Drive  
Huntsville, AL 35805

(256) 895-2339  
Info@IntegratedDefense.com

**DRS Technologies, Inc.**

Investor Relations  
5 Sylvan Way  
Parsippany, NJ 07054

(973) 898-1500  
patw@drs.com

**If you would like to request any documents, please do so by October 20, 2003 in order to receive them before the special meeting.**

See "Where You Can Find More Information" for more information about the documents referred to in this proxy statement/prospectus.

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**QUESTIONS AND ANSWERS ABOUT THE MERGER**

- Q:**
- What is the proposed transaction on which I am being asked to vote?**
- A:**
- You are being asked to vote to adopt an agreement and plan of merger among DRS, Merger Sub and IDT and approve the merger contemplated by the agreement and plan of merger. In this proxy statement/prospectus, we refer to the agreement and plan of merger as the "merger agreement." In the merger, a newly formed corporation and wholly-owned subsidiary of DRS will merge into IDT. After the merger, IDT will be the surviving corporation and a wholly-owned subsidiary of DRS.
- Q:**
- Are there risks associated with the merger?**
- A:**
- Yes. We may not achieve the expected benefits of the merger because of the risks and uncertainties discussed in the section entitled "Risk Factors" beginning on page 19 and the section entitled "Special Note Concerning Forward-Looking Statements" beginning on page 85.
- Q:**
- What will I be entitled to receive pursuant to the merger agreement?**
- A:**
- If we complete the merger, for each of your shares of IDT common stock you will be entitled to receive:
- (i) \$12.25 in cash, and
  - (ii) a fraction of one share of DRS common stock equal to \$5.25 divided by the lesser of (a) \$28.00 and (b) the greater of (A) the average NYSE closing price of DRS's common stock for the ten trading day period ending with the second complete trading day prior to the closing of the merger and (B) \$25.90.



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As a result, you will be entitled to receive between 0.1875 and 0.2027 shares of DRS common stock for each share of IDT common stock that you own.

You will not be entitled to receive any fractional shares of DRS common stock. Instead, you will be entitled to receive cash, without interest, for any fractional share of DRS common stock you might otherwise have been entitled to receive based on the average closing price of the DRS common stock for the five trading days before the date the merger occurs.

For a more complete description of the consideration you will receive, see "What You Will Be Entitled to Receive Pursuant to the Merger Agreement" in the Summary on page 7.

**Q: When will I know the actual number of shares of DRS common stock that I will be entitled to receive as a result of the merger?**

A: IDT will issue a press release on or as soon as practicable after the closing date that will disclose the exchange ratio that will determine the number of shares of DRS common stock you are entitled to receive in exchange for your shares of IDT common stock.

**Q: What does the IDT board of directors recommend?**

A: The IDT board of directors has approved the merger agreement and has determined that the merger agreement and the merger are advisable, fair to and in the best interests of IDT and its stockholders. Accordingly, the IDT board recommends that IDT stockholders vote "FOR" the adoption of the merger agreement and the approval of the merger at the special meeting.

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

A: The special meeting of IDT stockholders to vote on the merger agreement will be held at the offices of Winston & Strawn LLP, 200 Park Avenue, New York, New York 10166, on November 4, 2003, at 10:00 a.m., local time, unless postponed or adjourned to a later date.

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**Q: Who is entitled to vote at the special meeting?**

A: Holders of record of IDT common stock at the close of business on October 9, 2003, which IDT's board of directors has fixed as the record date for the special meeting, are entitled to vote at the special meeting.

**Q: What vote is required to adopt the merger agreement and approve the merger? Is my vote important?**

A: The merger agreement must be adopted by the holders of a majority of the total number of outstanding shares of IDT common stock on the record date. Abstentions and broker non-votes will have the same effect as a vote against the proposal to adopt the merger agreement.

You should be aware that Veritas Capital Management, L.L.C. and its affiliates have agreed to vote in favor of, and have given DRS an irrevocable proxy (subject to certain termination rights) to vote their shares in favor of, the adoption of the merger agreement and approval of the merger at the special meeting of stockholders to be held by IDT to consider the merger agreement and the merger. Veritas Capital Management, L.L.C. and its affiliates collectively owned 55.1% of the outstanding shares of IDT common stock on the record date. As a result of the proxies granted by them, we anticipate that the merger agreement will be adopted, regardless of the vote of IDT's other stockholders. No vote of the stockholders of DRS is required.

**Q:**

**What other matters will be voted on at the IDT special meeting?**

A: At this time, we do not anticipate a vote on any other matter at the special meeting, except possibly procedural business relating to an adjournment or postponement of the special meeting.

**Q: Will I be able to freely resell the shares of DRS common stock that I receive pursuant to the merger?**

A: Shares of DRS common stock issued pursuant to the merger will not be subject to any restrictions on transfer arising under the Securities Act, except for shares of DRS common stock issued to any IDT stockholder that is, or is expected to be, an "affiliate" of DRS or IDT for purposes of Rule 145 under the Securities Act.

**Q: How will my proxy be voted?**

A: If you complete your proxy, it will be voted in accordance with your instructions. If you sign and send in your proxy but do not indicate how you want to vote, your proxy will be counted as a vote in favor of the adoption of the merger agreement. If you do not vote either in person or by proxy, it will count as a vote against adoption of the merger agreement.

**Q: Do I have appraisal rights?**

A: Yes. If you do not vote in favor of the adoption of the merger agreement and the approval of the merger and otherwise comply with the requirements of Delaware law, you will be entitled to assert appraisal rights under Delaware law by following the requirements specified in Section 262 of the General Corporation Law of the State of Delaware. If you hold your shares in the name of another person, such as a broker or nominee, you must act promptly to cause the record holder to follow the steps identified properly and in a timely manner to perfect appraisal rights. A copy of Section 262 is attached as Annex E to this proxy statement/prospectus. See "The Merger Appraisal Rights" beginning on page 42.

**Q: What are the material United States federal income tax consequences of the merger to me?**

A: In general, the merger should be a fully taxable transaction to IDT stockholders for U.S. federal income tax purposes and you should recognize gain or loss equal to the difference, if any, between:

the amount realized in exchange for your shares of IDT common stock, and

the adjusted tax basis of your exchanged shares of IDT common stock.

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See "The Merger Material United States Federal Income Tax Consequences of the Merger" beginning on page 39 for a more complete description of the U.S. federal income tax consequences of the merger.

**Q: What will happen to IDT as a result of the merger? Will IDT continue as a public company?**

A: If the merger occurs, IDT will no longer be publicly owned and will become a wholly-owned subsidiary of DRS.

**Q: Is DRS's financial condition relevant to my decision to vote in favor of the transaction?**

A: Yes. You should consider DRS's financial condition before you vote. In considering DRS's financial condition, we recommend that you review the financial information in this proxy statement/prospectus beginning on pages 12 and 65, "Risk Factors" on page 19 and the documents incorporated by reference in this proxy statement/prospectus because they contain detailed business, financial and other information about DRS.

**Q: Does DRS have the financing required for the consummation of the merger?**

A: DRS requires financing in connection with the merger. DRS intends to finance the merger using a portion of its available cash on hand, bank borrowings utilizing an amended and restated credit facility (to be entered into concurrently with the closing of the merger) of \$512 million (which amount shall be increased to the extent that the senior subordinated notes offering (or bridge financing) generates less than \$200 million) with Wachovia Bank, National Association ("Wachovia Bank") and Bear, Stearns & Co. Inc. ("Bear Stearns") and through the issuance of senior subordinated notes in an aggregate principal amount of \$200 million. If DRS is unable to consummate the offering of senior subordinated notes prior to the closing of the merger, DRS has obtained a commitment letter which provides for a senior subordinated bridge facility of at least \$125 million for which Bear Stearns and Wachovia Bank will act as advisors. The bridge facility includes the right to exchange the facility for senior subordinated exchange notes. See "The Merger DRS Financing" beginning on page 40.

**Q: How will the merger be treated for accounting purposes?**

A: The merger will be accounted for under the purchase method of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, the cost to acquire IDT will be allocated to the tangible and amortizable intangible assets acquired and liabilities assumed based on their fair values, with any excess being treated as goodwill.

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

A: We expect to complete the merger promptly after IDT stockholders adopt the merger agreement and approve the merger at the special meeting and after we receive all necessary regulatory approvals. We currently expect this to occur during the fourth quarter of 2003. Fulfilling some of the conditions to closing the merger, such as receiving certain governmental clearances or approvals, is not entirely within our control. DRS or IDT may terminate the merger agreement if the merger is not consummated by December 15, 2003.

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

A: You should instruct your broker or bank to vote your shares by following the instructions your broker or bank provides. If you do not instruct your broker or bank, it will generally not have the discretion to vote your shares without your instructions. Because the proposal in this proxy statement/prospectus to adopt the merger agreement and approve the merger requires an affirmative vote of a majority of the outstanding shares of IDT common stock, these "broker non-votes" have the same effect as votes cast against the adoption of the merger agreement and approval of the merger.

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

A: No. After the merger is consummated, DRS will send you written instructions for exchanging your IDT common stock certificates for merger consideration.

**Q: What do I need to do now?**

A:

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After carefully reading and considering the information included and incorporated by reference in this proxy statement/prospectus, please submit your proxy as soon as possible so that your shares may be voted at the special meeting. If your shares of IDT common stock are registered in your own name you may submit your proxy by filling out and signing the proxy card, and then mailing your signed proxy card in the enclosed envelope.

If your shares are held in "street name," you should follow the directions your broker or bank provides in order to ensure your shares are voted at the special meeting.

Your proxy card will instruct the persons named on the proxy card to vote your shares at the special meeting as you direct. If you sign and send in your proxy card and do not indicate how you want to vote, your proxy will be voted "FOR" the adoption of the merger agreement and approval of the merger. If you do not vote or if you abstain, the effect will be a vote against the adoption of the merger agreement and approval of the merger.

**Q:**  
**May I change my vote after I have mailed my signed proxy card?**

**A:**  
You may change your vote at any time before your proxy is voted at the special meeting. If your shares of IDT common stock are registered in your own name, you can do this in one of three ways. First, you can send a written notice stating that you want to revoke your proxy. Second, you can complete and submit a new proxy card. If you choose either of these two methods, you must submit your notice of revocation or your new proxy card to Integrated Defense Technologies, Inc., PO Box 11164, New York, NY 10203-0164. Third, you can attend the IDT special meeting and vote in person. Simply attending the meeting, however, will not revoke your proxy; you must vote at the special meeting.

If you have instructed a broker or bank to vote your shares, you must follow the directions you received from your broker or bank to change your vote.

**Q:**  
**If I plan to attend the IDT special meeting in person, should I still grant my proxy?**

**A:**  
Yes. Whether or not you plan to attend the special meeting, you should grant your proxy as described above. The failure of an IDT stockholder to vote in person or by proxy will have the same effect as a vote against the adoption of the merger agreement and approval of the merger.

**Q:**  
**Who can help answer my questions?**

**A:**  
If you have any questions about the merger or if you need additional copies of this proxy statement/prospectus or the enclosed proxy card you should contact IDT's proxy solicitor D.F. King & Co., Inc. by phone at (212) 269-5550 collect, or toll-free at (800) 431-9633, or in writing at 48 Wall Street, 22nd Floor, New York, NY 10005.

**Q:**  
**Where can I find more information about IDT and DRS?**

**A:**  
You can find more information about IDT and DRS from various sources described under "Where You Can Find More Information" on page 83.

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### SUMMARY

*This summary is not intended to be complete and is qualified in all respects by the more detailed information appearing elsewhere in this proxy statement/prospectus and the attached annexes. The term "IDT" refers to Integrated Defense Technologies, Inc. and its subsidiaries, and the terms "DRS" and "Merger Sub" refer to DRS Technologies, Inc. and MMC3 Corporation, respectively, unless otherwise stated or indicated by the context. Stockholders are urged to review carefully the entire proxy statement/prospectus, including the attached annexes.*

**The Companies**

*DRS Technologies, Inc.*

**DRS Technologies, Inc.**

5 Sylvan Way  
Parsippany, New Jersey 07054  
(973) 898-1500

DRS Technologies, Inc., a Delaware corporation, is a leading supplier of defense electronic products and systems. DRS provides 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. Incorporated in 1968, DRS has served the defense industry for 34 years. DRS is a leading provider of thermal imaging devices, combat display workstations, electronic sensor systems, power systems, battlefield digitization systems, mission recorders and deployable flight incident recorders. Its products are deployed on a wide range of high-profile military platforms, such as DDG-51 Aegis destroyers, MIA2 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, C-17 Globemaster II and C-130 Hercules cargo aircraft, the Virginia class submarines and on other platforms for military and non-military applications. It also has contracts that support future military platforms, such as the DD(X) destroyer and the CVN-21 next generation aircraft carrier.

*MMC3 Corporation*

**MMC3 Corporation**

c/o DRS Technologies, Inc.  
5 Sylvan Way  
Parsippany, New Jersey 07054  
(973) 898-1500

MMC3 Corporation, a Delaware corporation and a wholly-owned subsidiary of DRS, was incorporated on August 12, 2003 solely for the purposes of effecting the merger with IDT. It has not carried on any activities other than in connection with the merger agreement.

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*Integrated Defense Technologies, Inc.*

**Integrated Defense Technologies, Inc.**

110 Wynn Drive  
Huntsville, Alabama 35805  
(256) 895-2000

Integrated Defense Technologies, Inc., a Delaware corporation, is a developer and provider of advanced electronics and technology products to the defense and intelligence industries. IDT's products are installed on or used in support of a broad array of military platforms in order to enhance their operational performance or extend their useful life. IDT supplies its products to a market that includes, in the United States alone, approximately 5,000 aircraft, 800 naval vessels, 20,000 combat vehicles, 100,000 transport vehicles, 400 missile systems and 60 combat training ranges. IDT's installed product base is found on major military platforms such as the F-16 and C-17 aircraft, the DDG-51 Destroyer and the Trident submarine, the M1 Abrams Main Battle Tank and the Light Armored Vehicle, the High Mobility Multi-purpose Wheeled Vehicle, the Bradley Fighting Vehicle, and the Patriot and Tomahawk missile systems.

IDT offers over 500 products that are incorporated into approximately 250 programs and which in turn are installed on or support over 275 platforms. No one product, program or platform accounted for more than 6% of IDT's revenue for the year ended December 31, 2002. At December 31, 2002, IDT employed approximately 547 engineers, which represented approximately 26% of its workforce. IDT's customers include all branches of the military, major domestic prime defense contractors (such as The Boeing Company, General Dynamics Corporation, Lockheed Martin Corporation, Northrop Grumman Corporation, Raytheon Company and United Defense Industries, Inc.), foreign defense contractors, foreign governments and U.S. Government agencies.

**What You Will Be Entitled to Receive Pursuant to the Merger Agreement (page 45)**

You will be entitled to receive pursuant to the merger agreement for each of your shares of IDT common stock:

\$12.25 in cash, and

a fraction of one share of DRS common stock equal to \$5.25 divided by the lesser of (a) \$28.00 and (b) the greater of (i) the average price of DRS's common stock price for the ten trading day period ending with the second complete trading day prior to the closing of the merger and (ii) \$25.90.

As a result, you will be entitled to receive between 0.1875 and 0.2027 of a share of DRS common stock for each share of IDT common stock that you own. However, you will not be entitled to receive any fractional shares of DRS common stock. Instead, you will be entitled to receive cash, without interest, for any fractional share of DRS common stock you might otherwise have been entitled to receive based on the average closing price of the DRS common stock for the five trading days before the date the merger occurs.

On October 7, 2003, the closing price of a share of DRS common stock was \$24.69.

### **The Special Meeting (page 23)**

The IDT special meeting will take place at the offices of Winston & Strawn LLP, 200 Park Avenue, New York, New York 10166, on November 4, 2003 at 10:00 a.m., local time. At the special meeting, the holders of IDT common stock will be asked to adopt the merger agreement and approve the merger. The close of business on October 9, 2003 is the record date for determining if you are entitled to vote at the special meeting. On that date, there were 21,327,931 shares of IDT common stock outstanding. Each share of IDT common stock is entitled to one vote at the special meeting. The affirmative vote of

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a majority of the outstanding shares of IDT common stock is required to adopt the merger agreement and approve the merger. On the record date, directors and executive officers of IDT beneficially owned and had the right to vote 11,758,692 shares of IDT common stock entitling them to exercise approximately 55.1% of the voting power of the IDT common stock.

Veritas Capital Management, L.L.C. and its affiliated entities and individuals, collectively referred to in this proxy statement/prospectus as the Veritas stockholders, beneficially own approximately 55.1% of the IDT common stock. The Veritas stockholders have agreed with DRS to vote, or cause to be voted, all of their shares of IDT common stock to adopt the merger agreement and approve the merger, subject to certain termination rights. See "Other Agreements Voting Agreement." The Veritas stockholders' vote will be sufficient to adopt the merger agreement and approve the merger regardless of the vote of any other stockholder.

### **Recommendation of the IDT Board; IDT's Reasons for the Merger (page 28)**

IDT's board of directors has approved the merger agreement. IDT's board believes that the merger agreement and the merger are advisable, fair to and in the best interest of IDT and its stockholders and recommends that you vote "FOR" the adoption of the merger agreement and approval of the merger. In reaching its decision, the IDT board considered a number of factors that are described in more detail in "The Merger Recommendation of the IDT Board; IDT's Reasons for the Merger" beginning on page 28. The IDT board of directors did not assign relative weights to the factors described in that section or the other factors considered by it. In addition, the IDT board did not reach any specific conclusion on each factor considered, but conducted an overall analysis of these factors.

### **Opinion of Houlihan Lokey Howard & Zukin Financial Advisors, Inc. (page 31)**

Houlihan Lokey Howard & Zukin Financial Advisors, Inc. delivered its written opinion, dated August 15, 2003, to IDT's board of directors that, as of such date and based upon and subject to the factors and assumptions set forth in such opinion, the consideration to be received by the public holders of IDT common stock pursuant to the merger is fair from a financial point of view to such holders.

The full text of the written opinion of Houlihan Lokey, dated August 15, 2003, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex D to this proxy statement/prospectus. You should read the opinion in its entirety. Houlihan Lokey provided its opinion for the information and assistance of IDT's board of directors in connection with the board's consideration of the transaction contemplated by the merger agreement. The Houlihan Lokey opinion is not a recommendation as to how you should vote with respect to the proposal to adopt the merger agreement.

### **DRS's Reasons for the Merger (page 37)**

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The board of directors of DRS met on several occasions to consider the merger and approved the merger agreement on August 15, 2003 after DRS's senior management discussed with its board of directors the business, assets, liabilities, results of operations and financial performance of IDT, the complementary nature of certain of IDT's products and capabilities and the products and capabilities of DRS, the expectation that IDT could be readily integrated with DRS and the potential benefits that could be realized as a result of such integration.

### Interests of Certain Persons in the Merger (page 37)

In considering the recommendation of IDT's board of directors with respect to the merger, you should be aware that some of the directors and executive officers of IDT may have interests in the

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merger that may be different from, or may be in addition to, the interests of IDT stockholders generally. These interests relate to, among other things:

the expected election of Robert B. McKeon, chairman of IDT, to the DRS board of directors following the merger;

the payment of retention bonuses to certain officers of IDT upon remaining with IDT for six months following the merger;

the inclusion, following the merger, in the surviving corporation's certificate of incorporation and bylaws of provisions requiring the surviving corporation to indemnify IDT's directors and officers; and

the right to continued coverage for at least six years of liability insurance for IDT's directors and officers, subject to certain limitations.

### Conditions to the Merger (page 52)

The obligations of each party to complete the merger are conditioned upon the other party's representations and warranties being true and correct, except as would not have a material adverse effect on such other party, and the other party having complied in all material respects with such party's covenants. In addition, among other things, DRS's and IDT's obligations are further conditioned on:

the termination or expiration of the applicable waiting periods pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which expiration occurred on September 25, 2003;

the adoption of the merger agreement and the approval of the merger by IDT's stockholders;

the continuing effectiveness of the registration statement of which this proxy statement/prospectus forms a part;

the approval of the shares of DRS common stock to be issued in connection with the merger for listing on the NYSE, which approval occurred on October 3, 2003, subject to official notice of issuance;

the absence of any injunction, judgment or other order, or any law, which prohibits or has the effect of prohibiting the merger or makes the merger illegal; and

the obtaining of all other necessary approval, consents and waivers.

### Restrictions on Solicitation (page 49)

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Subject to certain exceptions, the merger agreement precludes IDT, its subsidiaries, officers, directors, employees, investment bankers, attorneys, accountants and other representatives from initiating, soliciting, or knowingly encouraging, directly or indirectly, any inquiries or the making or implementing of any proposal relating to the acquisition of more than 20% of stock or assets of IDT or its subsidiaries or IDT's merger, consolidation or other similar transaction or participating in any negotiations concerning, or providing any confidential information or data to, affording access to the properties, books or records of IDT or its subsidiaries to, or having any discussions with, any person relating to such a proposal, or otherwise facilitating any effort or attempting to make or implement such a proposal.

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### **Termination (page 53)**

The merger agreement may be terminated by the mutual consent of DRS and IDT. Additionally, either DRS or IDT may terminate the merger agreement if:

the merger is not consummated by December 15, 2003 through no fault of the party seeking to terminate the merger agreement;

there are final, non-appealable legal restraints preventing the merger;

the party seeking termination is not in material breach of the merger agreement and the other party has materially breached a representation, warranty, covenant or agreement of that party contained in the merger agreement and such breach has not been cured within 15 days of notice of the breach; or

IDT stockholders fail to adopt the merger agreement and approve the merger at the special meeting.

IDT may terminate the merger agreement to accept an acquisition proposal that is more favorable to IDT and IDT's stockholders from a financial point of view than the proposed merger with DRS. IDT must pay DRS a termination fee of \$12.5 million if the merger agreement is terminated due to IDT's board of directors authorizing IDT to enter into an acquisition agreement with a third party or if DRS terminates the merger agreement due to IDT's board of directors withdrawing its recommendation of the transaction with DRS, modifying or changing its recommendation of the merger agreement or recommending an alternative acquisition transaction with a third party. IDT must also pay this fee if IDT or DRS terminates the merger agreement because the merger has not been completed by December 15, 2003, an alternative proposal with respect to IDT shall have been announced prior to such termination and IDT completes any merger or extraordinary transaction within six months of the termination. The voting agreement between the Veritas stockholders and DRS will terminate upon the termination of the merger agreement. (See "Other Agreements Voting Agreement" on page 55).

DRS may terminate the merger agreement if funding to consummate the merger pursuant to financing arrangements reasonably acceptable to DRS shall not have become available. However, DRS will not have such termination right if the failure to fulfill its obligations under the merger agreement to obtain such financing is the cause of such financing not becoming available. DRS must pay IDT liquidated damages of \$17.5 million upon such termination by DRS.

### **Material United States Federal Income Tax Consequences (page 39)**

In general, the merger should be a fully taxable transaction to IDT stockholders for U.S. federal income tax purposes. Tax matters, however, are very complicated and the tax consequences of the merger to each IDT stockholder will depend on the stockholder's particular facts and circumstances. See "The Merger Material United States Federal Income Tax Consequences of the Merger."

### **DRS Financing (page 40)**

DRS requires financing in connection with the merger. DRS intends to finance the merger using cash on hand, additional bank borrowings and through the issuance of debt securities, as further described under "The Merger DRS Financing".

### **Comparison of Rights of DRS Stockholders and IDT Stockholders (page 57)**



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After the merger, IDT stockholders (other than stockholders who exercise their appraisal rights) will be entitled to become DRS stockholders and their rights as stockholders will be governed by the

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certificate of incorporation and bylaws of DRS. There are a number of differences between the certificate of incorporation and bylaws of DRS and the certificate of incorporation and bylaws of IDT. These differences are summarized under "Comparative Rights of DRS and IDT Stockholders."

### **Comparative Market Price Information (page 17)**

Shares of DRS common stock and IDT common stock are listed on the NYSE. DRS is listed under the trading symbol "DRS" and IDT is listed under the trading symbol "IDE." On August 15, 2003, the last full trading day prior to the public announcement of the merger agreement, the closing price of IDT common stock was \$15.00 per share and the closing price of DRS common stock was \$29.15 per share, each as reported on the NYSE Composite Transactions Tape.

On October 7, 2003, the most recent practicable date prior to the printing of this proxy statement/prospectus, the closing price of IDT common stock was \$17.00 per share and the closing price of DRS common stock was \$24.69 per share. We urge you to obtain current market quotations.

### **Listing and Trading of DRS Common Stock (page 38)**

Shares of DRS common stock received by IDT stockholders pursuant to the merger will be listed on the NYSE. The NYSE approved the listing of such shares on October 3, 2003, subject to official notice of issuance. After completion of the merger, shares of DRS common stock will continue to be traded on the NYSE, but shares of IDT common stock will no longer be listed or traded.

### **Regulatory Approvals (page 52)**

DRS and IDT must use reasonable efforts to cooperate to timely make required regulatory filings. On August 26, 2003, DRS and IDT made filings with the Federal Trade Commission pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. The applicable waiting period under the Hart-Scott-Rodino Act expired on September 25, 2003.

### **Appraisal Rights (page 42)**

IDT stockholders who properly demand appraisal of their shares of IDT common stock prior to the stockholder vote at the special meeting, do not vote in favor of the adoption of the merger agreement and approval of the merger, and otherwise comply with the provisions of Section 262 of the General Corporation Law of the State of Delaware will be entitled, if the merger is completed, to receive statutory appraisal of the fair value of their shares of IDT common stock instead of the merger consideration to be provided to other IDT stockholders. A copy of Section 262 of the General Corporation Law of the State of Delaware is included as Annex E to this proxy statement/prospectus.

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## **SELECTED HISTORICAL AND PRO FORMA CONSOLIDATED FINANCIAL DATA OF DRS**

The historical selected earnings data and earnings from continuing operations per share data presented below for the years ended March 31, 2001, 2002 and 2003 and the historical selected financial position data as of March 31, 2002 and 2003 presented below are derived from DRS's audited consolidated financial statements, incorporated by reference in this proxy statement/prospectus. The historical selected earnings data and earnings from continuing operations per share data presented below for the years ended March 31, 1999 and 2000 and the historical selected financial position data as of March 31, 1999, 2000 and 2001 are derived from DRS's audited consolidated financial statements, which are not included or incorporated by reference in this proxy statement/prospectus. The historical selected earnings data, and earnings from continuing operations per share data presented below for the three months ended June 30, 2002 and 2003 and the historical selected financial position data as of June 30, 2003 are derived from DRS's unaudited condensed consolidated financial statements, incorporated by reference in this proxy statement/prospectus. The historical selected financial position data as of June 30, 2002 is derived from DRS's unaudited condensed consolidated balance sheet, which is not included or incorporated by reference in this proxy statement/prospectus. The selected consolidated

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financial data also includes unaudited pro forma information derived from the "Unaudited Pro Forma Financial Information," which gives effect to: (i) the proposed merger of a wholly-owned subsidiary of DRS and IDT in a purchase business combination (the "Merger"), as a result of which DRS will acquire IDT for cash and DRS common stock (subject to a collar) for an estimated purchase price of \$373.2 million, plus estimated Merger-related costs of \$5.0 million, (ii) the anticipated offering of \$200.0 million of senior subordinated notes and the anticipated amendment and restatement of DRS's existing senior secured credit facility (such amendment and restatement to be concurrent with the closing of the Merger). DRS intends to use the proceeds from the sale of the notes, together with initial borrowings under its amended and restated senior secured credit facility and excess cash on hand, to fund the Merger, to repay certain of DRS's and IDT's outstanding indebtedness and to pay \$15.0 million of certain financing and Merger-related costs. (iii) IDT's November 1, 2002 acquisition of BAE Systems Aerospace Electronics Gaithersburg Operation (the name of the company was changed to Signia-IDT, Inc. subsequent to the acquisition) in a purchase business combination and related financing and (iv) DRS's fiscal 2003 acquisitions of: (1) the Navy Controls Division of Eaton Corporation, (2) Paravant Inc. and its related financing, (3) the Electromagnetics Development Center of Kaman Corporation, and (4) Power Technology Incorporated.

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DRS Technologies, Inc.

Years Ended March 31, (4)

Three Months Ended

	Years Ended March 31, (4)					Pro Forma 2003	Three Months Ended			
	1999	2000	2001	2002	2003		Historical	Pro Forma		
							June 30, 2002	June 30, 2003	June 30, 2002	June 30, 2003

(in thousands, except per-share data)

Selected earnings data

Revenues	\$ 265,849	\$ 391,467	\$ 427,606	\$ 517,200	\$ 675,762	\$ 1,109,751	\$ 131,238	\$ 167,198	\$ 257,378	\$ 260,616
Operating income(1)	\$ 15,301	\$ 26,178	\$ 37,531	\$ 49,769	\$ 67,684	\$ 103,217	\$ 12,673	\$ 16,360	\$ 21,931	\$ 25,903
Earnings from continuing operations before income taxes(5)	\$ 2,174	\$ 12,832	\$ 24,954	\$ 38,361	\$ 55,872	\$ 33,900	\$ 10,347	\$ 13,267	\$ 11,773	\$ 16,482
Earnings from continuing operations(5)	\$ 1,559	\$ 7,661	\$ 11,978	\$ 20,331	\$ 30,171	\$ 18,205	\$ 5,434	\$ 7,296	\$ 7,018	\$ 9,687
Net earnings	\$ 680	\$ 4,310	\$ 11,978	\$ 20,331	\$ 30,171	\$ 18,205	\$ 5,434	\$ 7,296	\$ 7,018	\$ 9,687
Selected earnings from continuing operations per share data(2)(3)										
Basic	\$ 0.24	\$ 0.83	\$ 1.14	\$ 1.52	\$ 1.64	\$ 0.80	\$ 0.32	\$ 0.33	\$ 0.33	\$ 0.36
Diluted	\$ 0.23	\$ 0.76	\$ 1.01	\$ 1.41	\$ 1.58	\$ 0.78	\$ 0.31	\$ 0.32	\$ 0.32	\$ 0.36

As of March 31, (4)

As of June 30,

	1999	2000	2001	2002	2003	2002	2003	Pro Forma 2003
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(in thousands)

Selected financial position data

Total assets	\$ 329,639	\$ 320,098	\$ 334,940	\$ 601,091	\$ 972,121	\$ 586,309	\$ 964,371	\$ 1,538,926
Long-term debt, excluding current installments	\$ 102,091	\$ 97,695	\$ 75,076	\$ 138,060	\$ 216,837	\$ 137,550	\$ 216,164	\$ 599,924
Stockholders' equity	\$ 73,442	\$ 78,184	\$ 111,947	\$ 257,235	\$ 438,180	\$ 265,771	\$ 449,400	\$ 560,917

(1)

Effective April 1, 2001, DRS adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" and ceased amortizing goodwill. Included in operating income for the fiscal years ended March 31, 1999, 2000 and 2001 is goodwill amortization of \$2.7 million, \$5.2 million and \$5.3 million, respectively.

(2)

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No cash dividends have been distributed in any of the years presented.

(3)

Fiscal 1999 per share data from continuing operations are presented and calculated before a loss on discontinued operations of \$0.9 million in conjunction with the sale of DRS's magnetic tape head business. Fiscal 2000 per share data from continuing operations are presented and calculated before a loss on discontinued operations and a loss on disposal of discontinued operations of \$1.3 million and \$2.1 million, respectively, in connection with the sale of DRS's magnetic tape head business.

(4)

DRS's selected historical consolidated financial data includes the effect of the following purchase business combinations from their date of acquisition by fiscal year:

Fiscal Year 1999: The Ground-Based Electro-Optical and Focal Plane Array businesses of Raytheon Company Acquired October 20, 1998; NAI Technologies, Inc. Acquired February 19, 1999.

Fiscal Year 2000: Global Data Systems Ltd. Acquired July 21, 1999.

Fiscal Year 2001: General Atronics Corporation Acquired June 14, 2000.

Fiscal Year 2002: The Electro Mechanical Systems Unit of Lockheed Martin Corporation Acquired August 22, 2001; The Sensors and Electronic Systems business of The Boeing Company Acquired September 28, 2001.

Fiscal Year 2003: The U.S.-based Unmanned Aerial Vehicle business of Meggitt Defense Systems Texas, Inc. Acquired April 11, 2002; The Navy Controls Division of Eaton Corporation Acquired July 1, 2002; DKD, Inc. Acquired October 15, 2002; Paravant Inc. Acquired November 27, 2002; the Electromagnetics Development Center of Kaman Corporation Acquired January 15, 2003; and Power Technology Incorporated (PTI) Acquired February 14, 2003.

(5)

In accordance with Statement of Financial Accounting Standards No. 145, fiscal 1999 earnings from continuing operations before income taxes and earnings from continuing operations have been adjusted to reflect the reclassification of a loss on the extinguishment of debt of \$3.6 million and \$2.3 million, respectively previously presented as an extraordinary item.

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### SELECTED HISTORICAL FINANCIAL DATA OF IDT

The historical selected operating and per share data for the years ended December 31, 2000, 2001, and 2002 and the historical selected financial position data as of December 31, 2001 and 2002 presented below are derived from IDT's audited consolidated financial statements, incorporated by reference in this proxy statement/prospectus. IDT's Predecessor's and IDT's historical selected operating and per share data for the periods January 1, 1998 to October 23, 1998 and October 24, 1998 to December 25, 1998 and the year ended December 31, 1999 and the historical selected financial position data as of December 25, 1998, December 31, 1999 and 2000 presented below are derived from IDT's Predecessor's and IDT's audited consolidated financial statements, which are not included or incorporated by reference in this proxy statement/prospectus. The historical selected financial position data of IDT's Predecessor as of October 23, 1998 presented below is derived from IDT's Predecessor's unaudited consolidated financial statements. The historical selected operating and per share data for the three months ended June 30, 2002 and June 27, 2003 and the historical selected financial position data as of June 27, 2003 presented below are derived from IDT's unaudited condensed consolidated financial statements, incorporated by reference in this proxy statement/prospectus. The historical selected financial position data as of June 30, 2002 presented below is derived from IDT's unaudited condensed consolidated balance sheet, which is not included or incorporated by reference in this proxy statement/prospectus.

**IDT's  
Predecessor**

**Integrated Defense Technologies, Inc.**

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**Three Months Ended**

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	IDT's Predecessor		Integrated Defense Technologies, Inc.					
	January 1, to October 23, 1998	October 24, to December 25, 1998	Years Ended December 31,				June 30, 2002	June 27, 2003
			1999	2000	2001	2002		
(in thousands, except per-share data)								
Selected operating data								
Revenues	\$ 38,796	\$ 10,198	\$ 102,232	\$ 180,573	\$ 263,952	\$ 304,361	\$ 72,099	\$ 93,418
Goodwill impairment charge(1)						\$ (3,012)		
Income from operations	3,994	901	\$ 8,078	\$ 14,981	\$ 26,001	\$ 26,749	\$ 7,865	\$ 9,863
Refinancing costs(1)			\$ (2,840)	\$ (1,492)		\$ (25,748)		
Net income (loss)	2,916	25	\$ (616)	\$ 605	\$ 2,299	\$ (4,107)	\$ 4,490	\$ 4,475
Selected per share data								
Basic income (loss) per share	\$	\$	\$ (0.06)	\$ 0.06	\$ 0.17	\$ (0.21)	\$ 0.23	\$ 0.21
Diluted income (loss) per share			\$ (0.06)	\$ 0.05	\$ 0.15	\$ (0.21)	\$ 0.21	\$ 0.21
	As of	As of	As of December 31,				As of	
	October 23, 1998	December 25, 1998	1999	2000	2001	2002	June 30, 2002	June 27, 2003
Selected balance sheet data								
Total assets	14,601	47,353	\$ 121,089	\$ 284,895	\$ 278,298	\$ 447,700	\$ 295,838	\$ 446,858
Long-term debt, excluding current installments		31,741	\$ 59,306	\$ 161,996	\$ 153,561	\$ 208,860	\$ 78,813	\$ 197,263

(1) See Notes 3 and 5 of IDT's Notes to Consolidated Financial Statements incorporated herein by reference for a discussion of the refinancing and goodwill impairment charges incurred.

**COMPARATIVE HISTORICAL AND PRO FORMA PER SHARE DATA**

The following table presents certain unaudited historical per share data of DRS and IDT and unaudited combined pro forma per share data of DRS and IDT after giving effect to: (i) the proposed merger of a wholly-owned subsidiary of DRS and IDT in a purchase business combination (the "Merger"), as a result of which DRS will acquire IDT for cash and DRS common stock (subject to a collar) for an estimated purchase price of \$373.2 million, plus estimated Merger-related costs of \$5.0 million; (ii) the anticipated offering of \$200.0 million of senior subordinated notes and the anticipated concurrent amendment and restatement of DRS's existing senior secured credit facility (DRS intends to use the proceeds from the sale of the notes, together with initial borrowings under its amended and restated senior secured credit facility and

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excess cash on hand, to fund the Merger, to repay certain of DRS's and IDT's outstanding indebtedness and to pay \$15.0 million of certain financing and Merger-related costs); and (iii) IDT's November 1, 2002 acquisition of BAE Systems Aerospace Electronics Gaithersburg Operation (the name of the company was changed to Signia-IDT, Inc. subsequent to the acquisition) in a purchase business combination and related financing, and (iv) DRS's fiscal 2003 acquisitions of: (1) the Navy Controls Division of Eaton Corporation, (2) Paravant Inc. and its related financing, (3) the Electromagnetics Development Center of Kaman Corporation, and (4) Power Technology Incorporated. The information set forth below should be read in conjunction with the historical consolidated financial statements and notes thereto of DRS and IDT, incorporated by reference in this proxy statement/prospectus, and the unaudited pro forma financial information included elsewhere in this proxy statement/prospectus. The unaudited pro forma combined per share data and unaudited pro forma equivalent per share data for the year ended March 31, 2003 combines the historical consolidated statement of earnings of DRS for the fiscal year ended March 31, 2003, incorporated by reference in this proxy statement/prospectus, with the historical consolidated statement of operations of IDT for the year ended December 31, 2002, incorporated by reference in this proxy statement/prospectus, and gives effect to the Merger and other transactions described above. The unaudited pro forma combined per share data and unaudited pro forma equivalent per share data for the three months ended June 30, 2003, combines the unaudited historical consolidated statement of earnings of DRS for the three months ended June 30, 2003, which is incorporated by reference in this proxy statement/prospectus, with the unaudited historical consolidated statement of operations of IDT for the three months ended June 27, 2003, which is incorporated by reference in this proxy statement/prospectus, and gives effect to the Merger and other transactions described above. The pro forma combined per share data and the pro forma equivalent per share data does not purport to be indicative of the results of future operations or the results that would have occurred had the Merger and other transactions described above been consummated at the beginning of the periods presented.

### DRS

	<u>Year Ended March 31, 2003</u>	<u>Three Months Ended June 30, 2003</u>
Historical per share data from continuing operations(1)		
Basic earnings per share	\$ 1.64	\$ 0.33
Diluted earnings per share	\$ 1.58	\$ 0.32
Net book value per share(2)	\$ 19.54	\$ 20.01

### IDT

	<u>Year Ended December 31, 2002</u>	<u>Three Months Ended June 27, 2003</u>
Historical per share data from continuing operations(1)		
Basic earnings per share	\$ (0.21)	\$ 0.21
Diluted earnings per share	\$ (0.21)	\$ 0.21
Net book value per share(2)	\$ 8.46	\$ 8.02

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### DRS and IDT

	<u>Year Ended March 31, 2003</u>	<u>Three Months Ended June 30, 2003</u>
Unaudited pro forma combined per share data(1)		
Earnings from continuing operations per combined company's basic share(3)	\$ 0.80	\$ 0.36
Earnings from continuing operations per combined company's diluted share(3)	\$ 0.78	\$ 0.36
Earnings from continuing operations per equivalent IDT basic share(4)	\$ 0.16	\$ 0.07
Earnings from continuing operations per equivalent IDT diluted share(4)	\$ 0.16	\$ 0.07

As of June 30, 2003

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	Year Ended March 31, 2003	Three Months Ended June 30, 2003
Unaudited pro forma net book value per combined company's share(2)	\$	20.94
Unaudited pro forma net book value per equivalent IDT share(4)	\$	4.25

- (1) No cash dividends have been distributed in any of the periods presented.
- (2) The historical net book value per DRS share is computed by dividing total stockholders' equity by the number of shares of common stock outstanding as of the date presented. The historical net book value per IDT share is computed by dividing total stockholders' equity by the number of shares of common stock outstanding as of the date presented. The pro forma net book value per combined company's share is computed by dividing the DRS pro forma total stockholders' equity by the pro forma number of shares of DRS common stock outstanding as of June 30, 2003, assuming the Merger had occurred as of that date.
- (3) Shares used to calculate unaudited pro forma earnings (loss) from continuing operations per combined company's basic and diluted share were computed by adding 4,323,172 shares assumed to be issued in the Merger to DRS's historical amounts. The pro forma adjustment to DRS's weighted average shares outstanding reflects the maximum number of shares of DRS common stock to be issued in the Merger. The actual number of shares of DRS common stock issued in the Merger will not be determined until the second day before the closing.
- (4) The unaudited equivalent pro forma combined per IDT share is calculated by multiplying the pro forma combined amounts by the assumed exchange ratio of 0.2027 shares of DRS common stock for each share of IDT common stock. The assumed exchange ratio does not include the \$12.25 per share cash consideration and reflects the maximum fraction of a share of DRS common stock that could be paid per share of IDT common stock in the Merger.

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**COMPARATIVE STOCK PRICES AND DIVIDENDS**

**Comparison**

DRS's and IDT's common stock are listed and traded on the NYSE under the symbols "DRS" and "IDE," respectively. The following table sets forth, for the periods indicated, the high and low sales prices per share of DRS's and IDT's common stock as reported on the NYSE Composite Transactions Tape based for each calendar quarter. DRS's fiscal year ends on March 31. IDT's year ends on December 31. IDT became a public company on February 27, 2002. IDT's information is provided since becoming a public company.

On August 15, 2003, the last trading day before the merger agreement was signed, the closing price of DRS common stock on the NYSE was \$29.15 per share. DRS and IDT have not recently paid dividends with respect to their common stock.

	DRS Common Stock		IDT Common Stock	
	High	Low	High	Low
2001				
First Quarter	\$ 18.90	\$ 12.25		
Second Quarter	\$ 23.65	\$ 14.50		
Third Quarter	\$ 40.00	\$ 18.50		
Fourth Quarter	\$ 46.10	\$ 29.80		

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	DRS Common Stock		IDT Common Stock	
First Quarter	\$ 43.10	\$ 33.20	\$ 27.75	\$ 24.00
Second Quarter	\$ 48.66	\$ 35.20	\$ 33.00	\$ 27.15
Third Quarter	\$ 42.75	\$ 30.58	\$ 29.43	\$ 17.70
Fourth Quarter	\$ 37.66	\$ 28.20	\$ 20.95	\$ 9.51
2003				
First Quarter	\$ 31.90	\$ 21.00	\$ 16.05	\$ 10.00
Second Quarter	\$ 28.83	\$ 23.68	\$ 17.05	\$ 12.60

**Market Price Data**

The following table sets forth the high, low and closing reported sale price per share of DRS and IDT common stock on the NYSE on August 15, 2003 and October 7, 2003, respectively. August 15, 2003 was the last full trading day prior to our announcement of the signing of the merger agreement. October 7, 2003 was the most recent practicable trading day for which information was available prior to the printing of this proxy statement/prospectus.

	DRS Common Stock			IDT Common Stock		
	High	Low	Close	High	Low	Close
August 15, 2003	\$ 29.72	\$ 29.12	\$ 29.15	\$ 15.30	\$ 14.95	\$ 15.00
October 7, 2003	\$ 24.75	\$ 24.02	\$ 24.69	\$ 17.00	\$ 16.82	\$ 17.00

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For illustrative purposes, the following table provides equivalent IDT per share valuation information as of August 15, 2003, the last trading day before the merger agreement was announced, and October 7, 2003, the most recent practicable date before this proxy statement/prospectus was printed. The actual value of the stock component of consideration received by IDT stockholders at the closing of the Merger will be based upon the market value of DRS stock on the closing date.

Date	Average Closing Price of DRS Common Stock for Measurement Period	Equivalent IDT Per Share Value
August 15, 2003	\$ 27.249(1)	\$ 17.50(2)
October 7, 2003	\$ 24.343(3)	\$ 17.18(4)

- (1) Equal to the average closing sale price on the NYSE Composite Transactions Tape for the ten trading day period ending on August 13, 2003, the second complete trading day prior to August 15, 2003.
- (2) Equal to (i) \$12.25, the cash component of the consideration plus (ii) the value of the stock component of the consideration, equal to (a) the exchange ratio (\$5.25 divided by \$27.249) multiplied by (b) \$27.249, the average closing price of DRS common stock during the measurement period.
- (3) Equal to the average closing sale price on the NYSE Composite Transaction Tape for the ten trading day period ending on October 3, 2003, the second complete trading day prior to October 7, 2003.
- (4) Equal to (i) \$12.25, the cash component of the consideration plus (ii) the value of the stock component of the consideration, equal to (a) the exchange ratio (\$5.25 divided by \$25.90) multiplied by (b) \$24.343, the average closing price of DRS common stock during the measurement period.

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## RISK FACTORS

The merger and the investment in DRS common stock involve risk. You should consider the following risk factors in evaluating whether to vote in favor of the adoption of the merger agreement and approval of the merger. You should consider these factors together with the other information contained in this proxy statement/prospectus, the annexes to this proxy statement/prospectus and the documents incorporated by reference in this proxy statement/prospectus. If any of the following risks actually occur, the business, financial condition and results of operations of any of DRS, IDT or the combined company may be seriously harmed. In that case, the trading price of DRS common stock may decline, and you may lose all or part of your investment in DRS. If the merger does not occur, the trading price of IDT common stock may decline.

### **The Value of the Stock Component of the Merger Consideration Could Vary Based Upon the Price of DRS Common Stock**

The merger consideration per share of IDT common stock includes \$12.25 in cash and a fraction of a share of DRS common stock to be determined based upon the average NYSE closing price of DRS common stock for the ten trading day period ending on the second day before the closing. The merger agreement provides that such fraction will be fixed at 0.1875 if such average price is \$28.00 or greater and 0.2027 if the average price is \$25.90 or less. If such average price is between \$25.90 and \$28.00, such fraction will be equal to \$5.25 divided by the average price. If such average price is between \$25.90 and \$28.00, the total consideration per share of IDT common stock as of such date will be valued at \$17.50; if such average price is less than \$25.90, the value of the per share consideration will be less than \$17.50 and if such average price is greater than \$28.00, the value of the consideration per share of IDT common stock will be greater than \$17.50.

### **DRS May Not Be Able to Obtain Financing to Pay the Cash Portion of the Merger Consideration**

DRS expects to finance the merger by using a portion of existing cash on hand, bank borrowings utilizing an amended and restated credit facility (to be entered into concurrently with the closing of the merger) of \$512 million (which amount shall be increased to the extent that the senior subordinated notes offering (or bridge financing) generates less than \$200 million) with Wachovia Bank and Bear Stearns (which have provided a commitment letter to DRS) and through the issuance of senior subordinated notes in an aggregate principal amount of \$200 million. See "The Merger-DRS Financing" below. As of June 30, 2003, DRS's available cash was approximately \$90 million. The availability of the bank credit facility is subject to certain customary conditions precedent. Therefore, DRS cannot assure that the financing pursuant to the commitment letter will be available. DRS's proposed offering of senior subordinated notes is subject to market and other customary conditions, including, but not limited to, general global and U.S. economic conditions, the market for similar securities, and delivery of customary documents, officer certifications and representations prior to, or at the time of, the closing of the notes offering. There can be no assurance that DRS will be able to complete the notes offering or enter into an amended and restated credit facility on commercially reasonable terms, or at all.

DRS may not be able to complete the merger if it is unable to obtain financing. DRS may terminate the merger agreement if funding to consummate the merger pursuant to financing arrangements reasonably acceptable to DRS shall not have become available. However, DRS will not have such termination right if the failure to fulfill its obligations under the merger agreement to obtain such financing is the cause of such financing not becoming available. Under the merger agreement, DRS must pay IDT \$17.5 million in liquidated damages upon such termination by DRS.

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### **The Price of DRS Common Stock May be Affected by Factors Different From Those Affecting the Price of IDT Common Stock**

Holders of IDT common stock will be entitled to receive cash and DRS common stock in the merger and will thus become holders of DRS common stock. DRS's business is different in certain ways from that of IDT, and DRS's results of operations, as well as the price of DRS common stock, may be affected by factors different from those affecting IDT's results of operations and the price of IDT common stock. The price of DRS common stock may fluctuate significantly following the merger, including as a result of factors over which DRS has no control. For a discussion of IDT's businesses and certain factors to consider in connection with such businesses, see IDT's annual report on Form 10-K for the fiscal year ended December 31, 2002, and IDT's quarterly reports on Form 10-Q for the quarterly periods ended March 28, 2003 and June 27, 2003, each of which is incorporated by reference in this proxy statement/prospectus.

Factors affecting DRS's business include:

DRS's revenues are dependent on its ability to maintain its government business;



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DRS's revenues will be adversely affected if it fails to receive renewal of follow-on contracts;

DRS's failure to anticipate technical problems, estimate costs accurately or control costs with respect to the performance of fixed price contracts may reduce its profit or cause a loss;

DRS may experience production delays if its suppliers fail to deliver materials to it;

DRS's backlog is subject to reduction and cancellation;

Competition;

Military conflict, war or terrorism;

Government regulation;

Technological change; and

DRS's ability to use and safeguard intellectual property.

### **Integration of DRS's and IDT's Operations Will Be Complex, Time-Consuming and Expensive and May Adversely Affect The Results of Operations of DRS**

The anticipated benefits of the merger will depend in part on whether DRS and IDT can integrate their operations in an efficient, timely and effective manner. Integrating DRS and IDT will be a complex, time-consuming and expensive process. IDT will represent DRS's largest and most significant acquisition to date. Successful integration will require, among other things, combining the companies':

business development efforts;

key personnel;

geographically separate facilities; and

business and executive cultures.

DRS and IDT may not accomplish this integration successfully and may not realize the benefits contemplated by combining the operations of both companies. The diversion of management's attention to the integration effort and any difficulty encountered in combining operations could cause the interruption of, or a loss of momentum in, the activities of either or both of the companies' businesses. Furthermore, employee morale may suffer, and DRS and IDT may have difficulty retaining key personnel.

There is no assurance that DRS will be able to maintain or renew any of IDT's contracts.

### **DRS's Failure to Successfully Integrate IDT on a Timely Basis into DRS's Operations Could Reduce DRS's Profitability**

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DRS expects that the acquisition of IDT will result in certain business opportunities and growth prospects. DRS, however, may never realize these expected business opportunities and growth prospects. DRS may experience increased competition that limits its ability to expand its business, DRS's assumptions underlying estimates of expected cost savings may be inaccurate or general industry and business conditions may deteriorate. The acquisition involves numerous risks, including, but not limited to:

difficulties in assimilating and integrating the operations, technologies and products of IDT;

the diversion of DRS's management's attention from other business concerns;

DRS's current operating and financial systems and controls may be inadequate to deal with the combined company's operations;

the risks of DRS entering markets in which it has limited or no experience; and

the loss of key employees.

If these factors limit DRS's ability to integrate the operations of IDT successfully or on a timely basis, DRS's expectations of future results of operations may not be met. In addition, DRS's growth and operating strategies for IDT's business may be different from the strategies that IDT currently is pursuing. If DRS's strategies are not the proper strategies for IDT, it could have a material adverse effect on the business, financial condition and results of operations of IDT. See "Special Note Concerning Forward-Looking Statements."

### **DRS's Level of Indebtedness Following the Merger Could Adversely Affect its Operations and DRS May Incur Substantial Additional Indebtedness In the Future**

DRS's indebtedness as of June 30, 2003 was approximately \$223.9 million. DRS's pro forma indebtedness as of June 30, 2003, after giving effect to the merger and related financing (as described under "Unaudited Consolidated Pro Forma Financial Information") was approximately \$617.2 million. DRS intends to finance the merger using cash on hand, bank borrowings utilizing a proposed amended and restated credit facility of \$512 million (which amount shall be increased to the extent that the senior subordinated notes offering (or bridge financing) generates less than \$200 million) with Wachovia Bank and Bear Stearns and through the issuance of senior subordinated notes with a principal amount of \$200 million. If DRS is unable to consummate the offering of senior subordinated notes prior to the closing of the merger, DRS has obtained a commitment letter which provides for a senior subordinated bridge facility of at least \$125 million for which Bear Stearns and Wachovia Bank will act as advisors. The bridge facility includes the right to exchange the facility for senior subordinated exchange notes. (See "The Merger DRS Financing"). As a result of the increase in debt, demands on the cash resources of DRS will increase after the merger, which could have important effects on an investment in DRS common stock. For example, increased levels of indebtedness could, among other things:

reduce funds available for investment in research and development and capital expenditures;

adversely affect the cost and availability of funds from commercial lenders, debt financing transactions and other sources;

create competitive disadvantages compared to other companies with lower debt levels;

limit DRS's flexibility in addressing changes in the markets in which it competes; and

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render DRS more vulnerable to general economic and industry conditions.

In addition, following the merger, DRS may not be able to incur substantial additional indebtedness in the future. If DRS adds new debt, the related risks that it currently faces could intensify.

**The Market Price of DRS Common Stock May Decrease as a Result of the Merger**

In the merger, IDT stockholders will receive consideration that includes DRS common stock. A number of factors may cause the market price of such DRS common stock to fluctuate significantly after the merger including:

- the success of the integration of DRS's and IDT's operations;
- DRS's realization of expected business opportunities and growth prospects from the merger;
- DRS's operating results and those of defense companies in general;
- the public's reaction to DRS's press releases, announcements and filings with the Securities and Exchange Commission;
- changes in earnings estimates or recommendations by research analysts;
- changes in general conditions in the U.S. economy, financial markets or defense industry;
- natural disasters, terrorist attacks or acts of war;
- other developments affecting DRS or its competitors; and
- additional issuances of DRS common stock.

**The Merger May Adversely Affect IDT's Ability to Attract and Retain Key Employees**

Although DRS is required to make certain payments to IDT employees in connection with the merger (See "The Merger Interests of Certain Persons in the Merger; Conflicts of Interest"), current and prospective IDT employees may experience uncertainty about their future roles after the merger. In addition, current and prospective IDT employees may determine that they do not desire to work for DRS for a variety of reasons. These factors may adversely affect IDT's ability to attract and retain key management, sales, marketing and other personnel. There is a continuing demand for qualified technical personnel and DRS's future growth and success will depend in part upon its ability to attract, train and retain such personnel. Competition for personnel in the defense industry is intense. An inability to attract and maintain a sufficient number of technical personnel, including IDT personnel, could have a material adverse effect on DRS's contract performance and ability to capitalize on market opportunities.

**Regulatory Matters and Satisfying Closing Conditions May Delay or Prevent Completion of the Merger**

Completion of the merger is conditioned on completion of review under the United States antitrust laws. Failure to complete such review in a timely manner, or at all, may delay or prevent consummation of the merger. Governmental authorities may also impose conditions in connection with the merger that may adversely affect DRS's operations after the merger.

**THE SPECIAL MEETING**

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

We are sending you this proxy statement/prospectus as part of a solicitation of proxies by the IDT board of directors for use at the special meeting of IDT stockholders. We are first mailing this proxy statement/prospectus, including a notice of the special meeting and a form of

proxy, on or about October 10, 2003.

The special meeting is scheduled to be held at the offices of Winston & Strawn LLP, 200 Park Avenue, New York, New York 10166, on November 4, 2003 at 10:00 a.m., local time.

**Purpose of the Special Meeting**

The purpose of the special meeting is to vote on a proposal to adopt the merger agreement and to approve the merger. As a result of the merger each share of IDT common stock will be exchanged for a combination of cash and shares of DRS common stock. The merger consideration per share is \$12.25 in cash and a fraction of one share of DRS common stock equal to \$5.25 divided by the lesser of (a) \$28.00 and (b) the greater of (i) the average NYSE closing price of DRS common stock for the ten day period ending with the second complete trading day prior to the closing of the merger and (ii) \$25.90. IDT is not proposing any matters other than adoption of the merger agreement and approval of the merger at the IDT special meeting.

**Recommendation of the IDT Board**

IDT's board of directors has approved the merger agreement. IDT's board believes that the merger agreement and the merger are advisable, fair to and in the best interests of IDT and its stockholders and recommends that IDT's stockholders vote "FOR" the adoption of the merger agreement and approval of the merger. See "The Merger Recommendation of the IDT Board; IDT's Reasons for the Merger."

**Required Vote**

Adoption of the merger agreement and approval of the merger require the affirmative vote of a majority of the outstanding shares of IDT common stock entitled to vote at the special meeting. Each share of outstanding IDT common stock entitles its holder to one vote.

If you hold your shares in an account with a broker or bank, you must instruct the broker or bank on how to vote your shares. If an executed proxy card returned by a broker or bank holding shares indicates that the broker or bank does not have authority to vote on the proposal to adopt the merger agreement and approve the merger, the shares will be considered present at the meeting for purposes of determining the presence of a quorum, but will not be voted on the proposal to adopt the merger agreement and approve the merger. This is called a "broker non-vote" and has the same effect as a vote against the adoption of the merger agreement and the approval of the merger. Your broker or bank will vote your shares only if you provide instructions on how to vote by following the instructions provided to you by your broker or bank.

**Voting of Veritas Shares**

The Veritas stockholders beneficially owned 11,750,992 shares of IDT common stock, representing approximately 55.1% of the outstanding shares of IDT common stock as of the record date. Under the terms of a voting agreement entered into among the Veritas stockholders and DRS, the Veritas stockholders have agreed to vote or cause to be voted all of their shares of IDT common stock in favor of the adoption of the merger agreement and approval of the merger. See "Other Agreements Voting Agreement" below and the voting agreement attached as Annex B. The Veritas stockholders' vote will

be sufficient to approve the adoption of the merger agreement and approval of the merger regardless of the vote of any other stockholder.

**Record Date**

IDT's board of directors has fixed the close of business on October 9, 2003 as the record date for the special meeting. At that date, there were 21,327,931 shares of IDT common stock outstanding. Only stockholders of record on the record date will receive notice of and be entitled to vote at the meeting. No other voting securities of IDT are outstanding.

As of the record date, directors and executive officers of IDT as a group beneficially owned and had the right to vote 11,758,692 shares of IDT common stock entitling them to collectively exercise approximately 55.1% of the voting power of the IDT common stock.

**Quorum**

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A majority of the shares of IDT common stock entitled to vote at the special meeting must be present at the special meeting, either in person or by proxy, in order for there to be a quorum at the special meeting. There must be a quorum in order for the vote on the merger agreement to be taken.

We will count the following shares of IDT common stock as present at the special meeting for purposes of determining whether or not there is a quorum:

shares held by persons who attend or are represented at the IDT special meeting whether or not the shares are voted;

shares for which IDT received properly executed proxies; and

shares held by brokers or banks in nominee or street name for beneficial owners if those brokers or banks return an executed proxy card indicating that the beneficial owner has not given the broker or bank specific instructions on how to vote those shares.

### Proxies

Whether or not you plan to attend the special meeting in person you should submit your proxy as soon as possible. Stockholders whose shares of IDT common stock are registered in their own name may submit their proxies by filling out and signing the proxy card, and then mailing the signed proxy card in the enclosed envelope. Stockholders whose shares are held in "street name" must follow the instructions provided by their broker or bank to vote their shares.

All properly submitted proxies received by IDT before the special meeting that are not revoked prior to being voted at the special meeting will be voted at the special meeting in accordance with the instructions indicated on the proxies or, if no instructions were provided, FOR adoption of the merger agreement and approval of the merger.

Proxies marked "Abstain" will not be voted at the special meeting. Abstentions and broker non-votes will have the same effect as votes against adoption of the merger agreement and approval of the merger. Accordingly, IDT's board of directors urges you to promptly submit your proxy.

Submitting a proxy may impact your appraisal rights. See "The Merger Appraisal Rights."

### Other Matters

As of the date of this proxy statement/prospectus, IDT's board of directors knows of no other matters that will be presented for consideration at the special meeting other than as described in this proxy statement/prospectus. If any other matters properly come before the special meeting of IDT stockholders, or any adjournments or postponements of the special meeting are proposed, and are

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properly voted upon, the enclosed proxies will give the individuals that they name as proxies discretionary authority to vote the shares represented by these proxies as to any of these matters. The individuals named as proxies intend to vote or not to vote in accordance with the recommendation of IDT's board of directors.

### Revocation

Your grant of a proxy on the enclosed proxy card does not prevent you from voting in person or otherwise revoking your proxy at any time before it is voted at the special meeting. If your shares of IDT common stock are registered in your own name, you can revoke your proxy, by:

delivering a signed notice of revocation or properly executed new proxy bearing a later date to Integrated Defense Technologies, Inc., PO Box 11164, New York, NY 10203-0164; or

attending the IDT special meeting and voting your shares in person.

If you have instructed a broker or bank to vote your shares, you must follow the instructions received from your broker or bank if you wish to change those instructions.

#### **Solicitation of Proxies**

In addition to soliciting proxies by mail, officers, directors and employees of IDT, without receiving additional compensation, may solicit proxies by telephone, telegraph, in person or by other means. Arrangements also will be made with brokerage firms and other custodians, nominees and fiduciaries to forward proxy solicitation materials to the beneficial owners of IDT common stock held of record by those persons, and IDT will reimburse these brokerage firms, custodians, nominees and fiduciaries for related, reasonable out-of-pocket expenses they incur. IDT has also made arrangements with D.F. King & Co. Inc. to help in soliciting proxies for the proposed merger and in communicating with stockholders. IDT has agreed to pay D.F. King & Co. Inc. approximately \$5,000 plus expenses for its services. The costs of the solicitation will be borne by IDT. DRS and IDT will pay their respective expenses incurred in connection with the printing and mailing of this proxy statement/prospectus.

### **THE MERGER**

#### **General**

On August 15, 2003, IDT's board of directors approved the merger agreement that provides for the acquisition by DRS of IDT through a merger of IDT with Merger Sub, a newly formed and wholly-owned subsidiary of DRS. After the merger, IDT will be the surviving corporation and a wholly-owned subsidiary of DRS. Upon completion of the merger, you will be entitled to receive a combination of cash and shares of DRS common stock in exchange for your shares of IDT common stock. The merger consideration for each share of IDT common stock is \$12.25 in cash and a fraction of one share of DRS common stock equal to \$5.25 divided by the lesser of (a) \$28.00 and (b) the greater of (i) the average NYSE closing price of DRS common stock for the ten day period ending with the second complete trading day prior to the closing of the merger and (ii) \$25.90.

#### **Background of the Merger**

IDT is the product of the acquisition of several businesses since 1998. IDT's equity sponsor, The Veritas Capital Fund, L.P., acquired PEI Electronics, Inc. in October 1998, and used PEI as the platform upon which the IDT defense portfolio was built. On February 27, 2002, IDT sold 6,000,000 shares of its common stock to the public in its initial public offering at a per share price of \$22.00. In addition, in the public offering, certain stockholders of IDT sold 2,050,000 shares of IDT common stock, including a total of 1,814,251 shares beneficially owned by Veritas and its affiliates.

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At the January 21, 2003 meeting of IDT's board of directors, IDT's management reviewed IDT's business, prospects and core competencies. At the request of Robert B. McKeon, IDT's chairman, Bear Stearns presented to the board strategic alternatives that might be available for enhancing stockholder value, including remaining as an independent entity to pursue growth opportunities, merging with another company, and selling the company. Bear Stearns described the stock market performance of IDT's common stock in comparison to its peers and the existing market perception of IDT. In addition, Bear Stearns identified parties that might be interested in a strategic transaction with IDT with reference to strategic fit, financial flexibility, regulatory concerns and acquisitiveness. In Bear Stearns' analysis, DRS was one of the most likely candidates to engage in a strategic transaction with IDT. Bear Stearns also described its qualifications in the defense industry, including its prior activities for potentially interested parties, including DRS. The IDT board discussed the advisability of exploring strategic alternatives in order to maximize stockholder value in light of the market value of IDT common stock, which the board believed did not reflect IDT's true value, but took no action with respect to Bear Stearns' presentation. On January 17, 2003, the most recent trading day prior to the board meeting, IDT's common stock closed at \$12.83 per share.

At a special telephonic meeting of IDT's board of directors on February 26, 2003, Mr. McKeon proposed that the board authorize a process to explore strategic alternatives as identified by Bear Stearns in its presentation to the board on January 21, 2003. The board resolved to explore strategic alternatives, and authorized the engagement of Bear Stearns to assist in this endeavor. In order to retain key employees during this process, the board approved an employee retention plan that would pay approximately 90 identified employees (including Thomas J. Keenan, a director and the chief executive officer, and other senior officers, but not including any other director) an aggregate of approximately

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\$3.2 million if they remained with IDT for six months following the closing of a sale of IDT, if IDT were sold. Following the board meeting, IDT engaged Bear Stearns as IDT's exclusive financial advisor to assist IDT in its exploration of strategic alternatives. Under the terms of the engagement letter, the advisory fee payable to Bear Stearns was tied directly to the aggregate transaction consideration to be received by IDT's stockholders.

In its capacity as IDT's exclusive financial advisor, Bear Stearns contacted 52 potentially interested parties (both strategic and financial), sent out 45 confidentiality agreements and delivered confidential offering memoranda to 38 parties. Neither IDT nor Veritas restricted Bear Stearns' activities in the selection of potentially interested parties or in contacts with potentially interested parties. Except as noted, all contacts with potentially interested parties with respect to a potential transaction were conducted solely by Bear Stearns. During the first half of March 2003, Bear Stearns organized a data room at IDT's corporate headquarters in Huntsville, Alabama, which opened on March 17, 2003. Data was also made available in an electronic format.

Between March 24 and April 11, 2003, Bear Stearns received 15 indications of interest to purchase with cash part or all of IDT, nine for segments or divisions of IDT and six for the entire company. DRS submitted an indication of interest to purchase all of IDT on March 28, 2003.

From April 14 to May 5, 2003, five parties that submitted indications of interest to purchase the entire company visited the IDT data room and attended management presentations. Bear Stearns also responded to questions raised by these parties throughout this period. DRS representatives visited the data room and spoke with IDT management on April 28, 2003. Representatives of Bear Stearns' corporate finance group attended these sessions, with IDT's knowledge, on behalf of DRS in connection with any potential financing that DRS would require should it proceed with a transaction. DRS's financial advisor with respect to the potential transaction between IDT and DRS was Wachovia Capital Markets LLC ("Wachovia Securities").

On May 29, 2003, Bear Stearns, as IDT's representative, met with DRS to discuss a potential transaction between IDT and DRS.

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On June 3, 2003, Bear Stearns reported to IDT's board of directors on the status of the sale process, including a review of the initial indications of interest from companies interested in purchasing all or part of IDT's business. Three parties, including DRS, remained interested in purchasing all of IDT, while nine parties were interested in segments of IDT. The board determined that a sale of the entire company would bring more value to the IDT stockholders than a sale of its parts. As a result, substantially all of the discussion at the board meeting concerned the indications of interest to purchase all of IDT and the related process to complete such a transaction. The board authorized Bear Stearns to continue the process, which included an opportunity for additional due diligence by potentially interested parties, the distribution of a proposed form of sale agreement and the solicitation of best and final offers.

DRS and its representatives, including Bear Stearns on behalf of DRS, conducted additional diligence reviews at IDT on June 9, 10 and 25, 2003.

On July 15, 2003, Bear Stearns reported to a telephonic meeting of IDT's board of directors on the status of the process and the two "best and final" offers that had been submitted. One such best and final offer was a combined bid of all cash from two parties, and the other was a bid from DRS, dated July 15, consisting of a payment in part in cash and in part in DRS common stock. Based on the bid levels and overall bid proposals, the board instructed Bear Stearns to continue negotiations with DRS to improve the transaction value.

On July 16, 2003, DRS submitted a proposed form of merger agreement containing the mixed form of consideration. In response to IDT's objection to the July 16 draft agreement, DRS submitted a revised form of merger agreement on July 18, 2003 with reduced representations and warranties and conditions for closing. Included in the July 16 and July 18 proposed forms of merger agreement were references to a voting agreement and a standstill agreement between DRS and Veritas. Responding to comments on DRS's original "best and final" offer, on July 24, 2003 DRS further improved the terms of its offer. Mark Newman, the chairman and chief executive officer of DRS, spoke with Mr. McKeon on July 25, 2003 about the revised terms of a potential transaction.

During the past two years, Bear Stearns has been the financial advisor to DRS in connection with three acquisitions and has been underwriter in connection with two public offerings of common stock by DRS. In addition, Bear Stearns is a member of the banking syndicate in connection with DRS's credit facility. Because of the role Bear Stearns might play in raising funds on behalf of or providing financing to DRS for a portion of the transaction consideration, IDT determined that it would be necessary to retain another financial advisor to render a fairness opinion if a transaction with DRS proceeded. IDT and Bear Stearns agreed that the existing engagement letter would be amended to reflect that any opinion fee paid to another financial advisor would reduce the fee otherwise payable to Bear Stearns. Mr. McKeon contacted Houlihan Lokey Howard & Zukin Financial Advisors, Inc. to determine its availability to serve as financial advisor to IDT.

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Bear Stearns continued its discussions with DRS to improve the transaction value for IDT. On August 8, 2003, Mr. Newman called Mr. McKeon to discuss the transaction. Later that day Bear Stearns called Mr. McKeon to convey DRS's further revised proposal of \$17.50 per share, payable 70% in cash and 30% in DRS common stock, subject to a collar.

Also on August 8, 2003, IDT requested Houlihan Lokey to serve as its financial advisor to provide an opinion as to the fairness of the transaction consideration proposed by DRS, from a financial point of view, to IDT's public stockholders.

On August 11 and 12, 2003, representatives of IDT, Veritas and DRS, along with their respective counsel from Winston & Strawn LLP and Skadden, Arps, Slate, Meagher & Flom LLP, and IDT's financial advisor, Bear Stearns, and DRS's financial advisor, Wachovia Securities met at the New York

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office of Winston & Strawn to negotiate a potential merger agreement between IDT and DRS, and potential voting and standstill agreements between DRS and Veritas.

On August 12, 2003, IDT and Bear Stearns amended their engagement letter to permit Bear Stearns to act on DRS's behalf in financing activities, and to reduce the fee otherwise to be paid to Bear Stearns by IDT by the amount of any opinion fee to be paid by IDT to Houlihan Lokey. The estimated fee to be paid to Bear Stearns is approximately \$5.1 million.

During an August 13, 2003 telephonic meeting of IDT's board of directors, Mr. McKeon and Winston & Strawn briefed the board on the terms of the potential transaction with DRS, including fiduciary duty termination issues, DRS's request for a termination right if it were not able to obtain funding for the proposed transaction and IDT's view that any such termination right must be limited and accompanied by the payment of a termination fee, the addition of Mr. McKeon as a DRS director, the potential voting agreement between DRS and Veritas and certain of its affiliates that would obligate such persons to vote in favor of the merger, and a potential standstill agreement between DRS and Veritas and certain of its affiliates that would restrict the purchase of additional DRS shares following the merger. The board was informed that DRS expected to receive a financing commitment from Bear Stearns, subject to certain conditions, including the absence of a material deterioration in the debt market and the absence of any material adverse change in the businesses of DRS and IDT taken as a whole. Following the board meeting, Mr. McKeon spoke to Mr. Newman about the open points in the negotiations.

On August 15, 2003, the IDT board of directors convened in a telephonic meeting to consider approval of, among other things, the merger with DRS and the related merger agreement. Mr. McKeon and Winston & Strawn reviewed the transaction status and the agreements. Winston & Strawn also reviewed the relevant standards of care and loyalty under Delaware law, applicable to directors in the discharge of their fiduciary duties. Bear Stearns described the process that it had conducted as a result of its engagement on February 26, 2003, and stated that the DRS proposal was superior to the other proposals received. Houlihan Lokey described the process that it had used to evaluate the proposed DRS transaction, and stated that it was Houlihan Lokey's opinion that the consideration to be received by IDT's public stockholders in connection with the proposed DRS transaction was fair from a financial point of view to such stockholders. The board unanimously (with two directors not able to participate in the meeting) approved an amendment to IDT's rights plan to provide that it is inapplicable to the proposed transaction with DRS, ratified the engagement letters with Houlihan Lokey and Bear Stearns, approved the merger agreement with DRS, and recommended that the stockholders adopt the merger agreement.

On August 17, 2003, DRS executed a commitment letter with Bear Stearns and an affiliate of Bear Stearns providing for a new credit facility of \$587 million to assist with the financing of the merger. This commitment letter was replaced by a joint commitment letter from Wachovia Bank, DRS's current lender, and Bear Stearns on September 12, 2003, pursuant to which Wachovia Bank and Bear Stearns committed to amend and restate DRS's existing credit facility.

IDT and DRS issued a joint press release announcing the IDT-DRS merger transaction prior to the opening of trading on the NYSE on August 18, 2003.

### **Recommendation of the IDT Board; IDT's Reasons for the Merger**

In reaching its decision to approve the merger agreement and the other transactions contemplated by the merger agreement and to recommend that IDT stockholders vote to adopt the merger agreement and to approve the merger, the IDT board of directors consulted with IDT's management

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and its legal and financial advisors. The board considered a number of factors and potential benefits of the merger including, without limitation, the following:

IDT's business, current financial condition, results of operations and the performance of its stock price since its initial public offering in February 2002;

the recent evaluation by IDT's board of directors of IDT's forecast and projections and the risks related to achieving those projections and the goals of that plan;

the proposal would provide IDT stockholders with a 17.0% premium for their shares of IDT common stock based on the closing prices of IDT common stock and DRS common stock on August 14, 2003, the last trading day before the day of the board meeting at which the board approved the merger agreement and decided to recommend that the IDT stockholders vote to adopt the merger agreement and approve the merger;

the opportunity for IDT stockholders to receive a combination of DRS shares and cash in exchange for their IDT shares;

the opinion of Houlihan Lokey that, subject to the assumptions made, matters considered and limitations on the review undertaken in connection with such opinion, consideration to be received by IDT's public stockholders pursuant to the merger is fair from a financial point of view to such stockholders (the full text of the written opinion of Houlihan Lokey, dated August 15, 2003, is attached as Annex D to this proxy statement/prospectus, and stockholders are urged to and should read the written opinion carefully and in its entirety);

the availability to DRS of the commitment letter from Bear Stearns;

the possible alternatives to the sale of IDT, including continuing to operate IDT on a stand-alone basis;

the extensive process conducted by IDT, with the assistance of Bear Stearns, to seek potential buyers of IDT, involving identifying and contacting selected, qualified parties primarily within the aerospace/defense and financial communities, disseminating confidential information to interested parties and soliciting and receiving proposals to acquire IDT from such parties, of which proposals DRS's was the most attractive;

IDT stockholders would own approximately 15.8% of the combined company and, therefore, would have the opportunity to share in any increase in the value of DRS and in the value of IDT through their ownership of DRS common stock. The board of directors considered:

that IDT would benefit from being part of a larger enterprise and, in particular, from DRS's experience in the development, design and production of high-technology defense electronics products; and

DRS's past experience in the defense industry;

the terms of the merger, including:

the fact that the beneficial owners of a majority of IDT's outstanding common stock favored the DRS proposal and would agree to vote those shares in favor of the merger;

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the ability of the IDT board to terminate the merger agreement and, in turn, the voting agreement, in order to accept a superior proposal;

the board's conclusion that the \$12.5 million termination fee, and the circumstances when such fee is payable, were reasonable in light of the benefits of the merger, and commercial practice;

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the payment of \$17.5 million in liquidated damages by DRS to IDT if DRS terminates the merger agreement because it is unable to obtain financing in accordance with the commitment letter;

the likelihood of completing the merger, including IDT's and DRS's ability to obtain the necessary governmental approvals;

the availability of appraisal rights to dissenting stockholders of IDT; and

the limited number and nature of the conditions to DRS's obligation to consummate the merger and the limited risk of non-satisfaction of these conditions.

The IDT board of directors also considered and balanced against the potential benefits of the merger a number of potentially adverse factors concerning the merger including, without limitation, the following:

the opportunities for growth and the potential for increased stockholder value if IDT were to stay independent;

the possibility that deferring any sale of IDT until a time when U.S. and global market conditions were more favorable might result in a higher price for IDT;

the risk that IDT's obligation to pay a termination fee to DRS in certain circumstances might deter other parties from proposing an alternative transaction that might be more advantageous to IDT stockholders. In considering this provision, the board of directors sought to balance the concerns of DRS, which it believed had made an attractive acquisition proposal conditioned on the receipt of a termination fee, against the likelihood of there being a subsequent better offer which might be deterred by such payment;

the risk that the merger might not be completed in a timely manner or at all;

the potential conflicts of interests of some IDT officers and directors, including the election of Robert B. McKeon, chairman of IDT, to the DRS board of directors following the merger;

the challenges and costs of integrating two large corporations; and

the possibility of management and employee disruption associated with the merger.

After taking into account all of the factors set forth above, as well as others, the IDT board of directors agreed that the benefits of the merger outweigh the risks and that the merger agreement and the merger are advisable, fair to and in the best interests of IDT and its stockholders. **The IDT board of directors has approved the merger agreement and the merger and recommends that holders of IDT common stock vote to adopt the merger agreement and approve the merger at the special meeting.**

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The IDT board of directors did not assign relative weights to the above factors or the other factors considered by it. In addition, the IDT board did not reach any specific conclusion on each factor considered, but conducted an overall analysis of these factors. Individual members of the IDT board may have given different weight to different factors.

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### Opinion of Houlihan Lokey Howard & Zukin Financial Advisors, Inc.

IDT's board of directors engaged Houlihan Lokey to render an opinion as to the fairness, from a financial point of view, of the consideration to be received by IDT's public stockholders in connection with the proposed merger. At the August 15, 2003 meeting of IDT's board, Houlihan Lokey presented its analysis and delivered its written opinion that as of August 15, 2003 and based on the matters described in its opinion, the consideration to be received by IDT's public stockholders in connection with the proposed merger is fair to them from a financial point of view.

IDT's board selected Houlihan Lokey based on its reputation, experience and expertise in the valuation of businesses and their securities in connection with mergers and acquisitions, particularly within the defense sector. Houlihan Lokey is a nationally recognized investment banking firm that is continually engaged in providing financial advisory services and rendering fairness opinions in connection with mergers and acquisitions, leveraged buyouts, business and securities valuations for a variety of regulatory and planning purposes, recapitalizations, financial restructurings and private placements of debt and equity securities.

Neither Houlihan Lokey nor its affiliates had any material business relationships with IDT or DRS at the time Houlihan Lokey and IDT entered into the engagement letter with respect to the Houlihan Lokey fairness opinion, none has since developed and none is mutually understood to be contemplated other than the matters contemplated in that engagement letter. IDT placed no limitations on the procedures or investigations undertaken by Houlihan Lokey in connection with arriving at its opinion.

IDT agreed to pay Houlihan Lokey an aggregate fee of \$550,000 as compensation for its services in connection with the merger and related transactions, as well as reimbursement of its out-of-pocket expenses incurred in connection with its engagement. No portion of Houlihan Lokey's fee is contingent upon the successful completion of the merger, any other related transaction, or the conclusions reached in the Houlihan Lokey opinion. The fee payable to Houlihan Lokey will result in no additional cost to IDT, as the fee otherwise due to Bear Stearns for its financial advisory services will be reduced by the amount of the Houlihan Lokey fee. IDT also agreed to indemnify Houlihan Lokey and related persons against certain liabilities, including liabilities under federal securities laws that arise out of the engagement of Houlihan Lokey, or, if such indemnification is not available to Houlihan Lokey or insufficient to hold it harmless, IDT has agreed to contribute to the amount paid or payable by Houlihan Lokey as a result of such liabilities in proportion to the relationship between Houlihan Lokey's fee and the total value of the merger, or, if that allocation is not permitted by law, in proportion to the relative benefits received by and the fault of the parties, with the amount of Houlihan Lokey's contribution being capped at its fee amount.

In arriving at its fairness opinion, Houlihan Lokey, among other things:

reviewed IDT's prospectus dated February 26, 2002, annual report to shareholders on Form 10-K for the fiscal year ended December 31, 2002 and quarterly reports on Form 10-Q for the quarters ended June 30, 2002 and June 27, 2003;

reviewed DRS's annual reports on Form 10-K for the fiscal years ended March 31, 2002 and 2003;

reviewed forecasts and projections prepared by IDT's management with respect to IDT for the years ended December 31, 2003 through 2007;

reviewed DRS's financial projections for the years ended March 31, 2004 through 2008;

held discussions with certain members of the senior management of IDT to discuss the operations and financial condition of IDT and the underlying rationale and background of the proposed merger;

held discussions with Bear Stearns to discuss pertinent aspects of the sale process;

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reviewed the offering memorandum and management presentation prepared by IDT and Bear Stearns for potential acquirers in the sale of IDT;

reviewed drafts of the following agreements:

merger agreement among DRS, Merger Sub and IDT;

standstill agreement by and among DRS, IDT Holding, L.L.C., The Veritas Capital Fund, L.P., Veritas Capital Management, L.L.C. and Robert B. McKeon; and

voting agreement by and among DRS, IDT Holding, L.L.C., The Veritas Capital Fund, L.P. and Veritas Capital Management, L.L.C.;

reviewed copies of third parties' indications of interests;

reviewed certain other publicly available financial data for certain companies that Houlihan Lokey deemed comparable to both IDT and DRS, including prices and premiums paid in other transactions that Houlihan Lokey considered similar to the proposed merger; and

conducted such other studies, analyses and inquiries as Houlihan Lokey deemed appropriate.

*Analyses*

In accordance with customary investment banking practice, Houlihan Lokey employed generally accepted valuation methods in reaching its opinion. The following represents a brief summary of the material financial analyses performed by Houlihan Lokey in connection with providing its opinion to the IDT board of directors. The financial analyses that Houlihan Lokey performed, and that are summarized below, were those that in the exercise of Houlihan Lokey's professional judgment were most relevant to determining the fairness of the consideration in the proposed merger to IDT's public stockholders from a financial point of view. The Houlihan Lokey fairness opinion is based upon Houlihan Lokey's consideration of the collective results of all such analyses together with other factors referred to in its opinion. While Houlihan Lokey did not assign specific weights to any analysis performed by it, Houlihan Lokey believes that each of the analyses performed by it supported its opinion. This summary is qualified in its entirety by reference to the full text of the opinion, which is attached as Annex D to this proxy statement/prospectus. You are urged to read the full text of the Houlihan Lokey opinion carefully and in its entirety.

Houlihan Lokey performed the following analyses in order to assess the fairness of the consideration to be received by the public stockholders in connection with the proposed merger from a financial point of view.

*Market Multiple Methodology:* Houlihan Lokey reviewed certain financial information of a number of publicly traded companies which it believed were similar to IDT in terms of operations, product mix, size and industry. Houlihan Lokey selected the following as being the most comparable to IDT:

Alliant Techsystems, Inc.

Cubic Corporation

DRS

EDO Corporation

Flir Systems, Inc.

Harris Corporation

L-3 Communications Holdings, Inc.

Rockwell Collins Corporation

Ultra Electronics Holdings, Plc

United Defense Industries, Inc.

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Houlihan Lokey calculated the following financial ratios of the comparable companies based on publicly available information: (1) enterprise value ("EV") to pro forma June 30, 2003 ("PF") revenues, which are based on the average of estimated revenues for the 2002 and 2003 fiscal years, (2) EV to estimated PF, fiscal year ended December 31, 2003 ("NFY") and fiscal year ended December 31, 2004 ("NFY+1") earnings before interest, taxes, depreciation and amortization ("EBITDA"), (3) EV to estimated PF, NFY and NFY+1 earnings before interest and taxes ("EBIT"), and (4) EV to estimated NFY and NFY+1 net income.

The analysis showed that the multiples exhibited by the comparable companies had the following medians, from which Houlihan Lokey derived the indicated multiple ranges:

Category	Median Multiple	Selected Multiple Range
EV to PF revenues	1.24x	1.10x 1.30x
EV to PF EBITDA	9.5x	7.5x 8.0x
EV to PF EBIT	12.4x	10.0x 11.0x
EV to NFY EBITDA	9.1x	7.0x 7.5x
EV to NFY EBIT	11.6x	9.0x 10.0x
EV to NFY net income	18.7x	14.0x 15.0x
EV to NFY+1 EBITDA	8.5x	6.5x 7.0x
EV to NFY+1 EBIT	10.1x	8.0x 9.0x
EV to NFY+1 net income	16.5x	12.0x 13.0x

Houlihan Lokey derived indications of IDT's enterprise value from operations by applying IDT's actual and projected operating results to the indicated multiple ranges. Houlihan Lokey then applied a 20% control premium to IDT's implied equity value to arrive at a range of enterprise value from operations of \$511.0 million to \$559.0 million.

*Comparable Transaction Methodology:* Houlihan Lokey reviewed the consideration paid in fifteen acquisitions that occurred between April 1, 2001 and June 30, 2003, in companies in IDT's sectors of the defense industry. Specifically, Houlihan Lokey reviewed transactions involving the following target companies or businesses:

Emblem Group Ltd.

Signal Technology Corp.

Aeromet, Inc.

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Land Platforms Communications business of BAI

Wescam

Paravant Inc.

Westwood Corporation

BAE Systems North America Gaithersburg Operations

CMC Electronics Military Communications

Eaton Corporation Navy Controls Unit

Bulova Technologies, Inc.

Lau Acquisitions Corporation (Lau Defense Systems/Vista Controls)

Gencorp Aerojet-General Electronics/Information Systems Group

Boeing Sensors and Electronics Systems Business

BAE Systems Canada, Inc.

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Houlihan Lokey calculated the following financial ratios of the target companies in the comparable transactions based on publicly available information: (1) EV to estimated PF revenues, (2) EV to estimated PF EBITDA, and (3) EV to estimated PF EBIT.

From the comparable transaction methodology, Houlihan Lokey derived the following multiple ranges for the indicated ratios:

Category	Median Multiple	Selected Multiple Range
EV to PF revenues	1.02x	1.20x 1.40x
EV to PF EBITDA	8.7x	8.5x 9.5x
EV to PF EBIT	13.2x	12.5x 13.5x

Houlihan Lokey derived indications of IDT's enterprise value from operations by applying IDT's pro forma PF revenues, EBITDA and EBIT to the selected multiple ranges. Based on the above, Houlihan Lokey determined a range of indicated enterprise values from operations of IDT of approximately \$530.0 million to \$590.0 million.

*Discounted Cash Flow Methodology:* Houlihan Lokey used certain financial projections prepared by IDT's management with respect to fiscal years 2003 through 2007 to determine a range of enterprise values from operations for IDT. Using these projections, Houlihan Lokey determined the enterprise value of IDT by first deriving free cash flow for IDT during the projection period. IDT's net cash flow consisted of cash flow generated from IDT's business operations less the outlays needed to support IDT's business operations (the planned investment in fixed assets and working capital to support operations). The net cash flow was discounted to the present using a range of discount rates from 12.0% to 13.0%, which Houlihan Lokey believed gave appropriate consideration to the inherent riskiness of the net cash flows and prevailing

market interest rates.

To determine the portion of the enterprise value from operations attributable to periods beyond 2007, Houlihan Lokey determined a terminal value of IDT by applying a multiple range of 7.0x to 8.0x to IDT's projected EBITDA for fiscal year 2007. This terminal value was then discounted to the present at the same 12.0% to 13.0% range of discount rates.

Based on the financial projections and this analysis, Houlihan Lokey determined a range of enterprise values from operations of IDT of \$543.0 million to \$625.0 million.

*Public Market Pricing:* Houlihan Lokey reviewed the historical market prices and trading volume for IDT's publicly held common stock, as well as analyst reports, news articles and press releases relating to IDT. Houlihan Lokey determined the closing price of IDT common stock on February 26, 2003, the day before IDT announced that it had retained Bear Stearns to explore strategic alternatives, and August 13, 2003, two days before the date of Houlihan Lokey's opinion. Houlihan Lokey then used these values to estimate a range of enterprise values for IDT based on the number of outstanding shares and a control premium. Houlihan Lokey used an estimated control premium of 20% for the pre-announcement price and an estimated control premium of 15% for the August 13 price, reflecting the assumption that after IDT announced that it intended to explore strategic alternatives the market price for IDT's common stock included a partial control premium. Based on these assumptions, Houlihan Lokey calculated an indicated range for IDT's enterprise value to be as follows:

Date of Closing Price	Price	Enterprise Value
February 26, 2003	\$ 13.42	\$ 553.0 million
August 13, 2003	\$ 14.99	\$ 558.0 million

Additionally, Houlihan Lokey determined that IDT's ratio of average daily trading volume to public float is at the high end of the comparable companies described below and implies approximately

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\$2,000,000 worth of IDT's common stock is traded on a daily basis. This suggests that IDT's public trading price is a reasonable reflection of the market's evaluation of the value of a minority interest in IDT.

*IDT Valuation Analyses Conclusion:*

Based on the enterprise and equity values calculated as described above, Houlihan Lokey determined a range of enterprise values from operations of IDT of \$525.0 million to \$575.0 million. Houlihan Lokey then made certain adjustments to determine equity value including adjustments to reflect (1) IDT's current holdings of cash and cash equivalents and (2) IDT's debt obligations. After consideration of these adjustments, Houlihan Lokey estimated IDT's equity value to be in the range of \$334.2 million to \$384.2 million, or \$15.67 per share to \$18.01 per share, respectively, on a fully-diluted basis.

*DRS Market Analysis:*

Given that approximately 30% of the value of the consideration for the proposed merger will be in DRS's common stock, which is traded on the NYSE, Houlihan Lokey assessed the public market valuation of DRS's common stock on a marketable, minority interest basis by:

Assessing its stock market performance relative to its peer group, which were the same group of companies listed as comparable companies to IDT, and the S&P 500 index;

Assessing the broad sentiments of the investment community as to DRS's prospects by examining the reports of analysts that cover DRS;

Comparing DRS's operating and valuation metrics to those of its peer group; and

Conducting a float analysis on DRS to determine whether DRS is actively traded in relation to its peer group.

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The fact that DRS's common stock is actively traded, its liquidity, trading metrics and significant analyst coverage suggested to Houlihan Lokey that the market's evaluation and expectations for DRS were reflected in the stock's trading range.

### *Review of Sale Process:*

Houlihan Lokey also considered that Bear Stearns had conducted a comprehensive auction process for IDT. Houlihan Lokey noted that IDT had not limited the types of transactions in which it was willing to engage or any prospective counterparties to those transactions and that Bear Stearns had contacted approximately 52 potential acquirers for part or all of the business of IDT. Houlihan Lokey noted that Bear Stearns had determined that the values likely to be received from a sale of the IDT business in separate parts, based in part on the substantial probable tax liability involved in a break-up of the business and the higher risk of execution associated with multiple transactions, were lower than the values likely to be received from a sale of the business as a whole. It also noted that the DRS offer was the better of the two final offers received from the sale process and that, due to negotiations between the parties, the final agreed merger consideration was higher than and superior in composition to DRS's initial offer.

### *Conclusion*

Houlihan Lokey delivered its written opinion dated August 15, 2003 to IDT's board of directors stating that, as of that date, based upon the assumptions made, matters considered and limitations on the review described in its written opinion, the consideration per share to be received by IDT's public stockholders in connection with the proposed merger is fair to them from a financial point of view.

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As a matter of course, IDT does not publicly disclose forward-looking financial information. Nevertheless, in connection with its review, Houlihan Lokey considered financial projections. These financial projections were prepared by IDT's management. The financial projections were prepared under market conditions as they existed at the time of their preparation and IDT's management does not intend to provide Houlihan Lokey with any updated or revised financial projections in connection with the merger. The financial projections did not take into account any circumstances or events occurring after the date they were prepared. In addition, factors such as industry performance, general business, economic, regulatory, market and financial conditions, as well as changes to the business, financial condition or results of IDT's operations, may cause the financial projections or the underlying assumptions to be inaccurate.

Houlihan Lokey's opinion is based on the business, economic, market and other conditions, as they existed as of August 15, 2003, and on the financial projections provided to Houlihan Lokey. In rendering its opinion, Houlihan Lokey relied upon and assumed, without independent verification that the financial and other information provided to Houlihan Lokey by IDT's management, including the financial projections, was reasonably prepared and reflects the best currently available estimates of the financial results and condition of IDT; and that no material changes occurred in the information reviewed between the date the information was provided and the date of the Houlihan Lokey opinion. Houlihan Lokey did not independently verify the accuracy or completeness of the information supplied to it with respect to IDT and does not assume responsibility for it. Houlihan Lokey did not make any physical inspection or independent appraisal of IDT's specific properties or assets.

The Houlihan Lokey opinion does not address the underlying business decision to effect the proposed merger; nor does it constitute a recommendation to any IDT stockholder as to how they should vote at the special stockholders meeting. Houlihan Lokey has no obligation to update the Houlihan Lokey opinion. Houlihan Lokey did not, and was not requested by IDT or any other person to, solicit third party indications of interest in acquiring all or any part of IDT. Furthermore, at the request of IDT's board of directors, Houlihan Lokey has not negotiated any portion of the transaction or advised IDT's board with respect to alternatives to it.

The summary set forth above describes the material points of more detailed analyses performed by Houlihan Lokey in arriving at its fairness opinion. The preparation of a fairness opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and application of those methods to the particular circumstances and is therefore not readily susceptible to summary description. In arriving at its opinion, Houlihan Lokey made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, Houlihan Lokey believes that its analyses and summary set forth herein must be considered as a whole and that selecting portions of its analyses, without considering all analyses and factors, or portions of this summary, could create an incomplete and/or inaccurate view of the processes underlying the analyses set forth in Houlihan Lokey's fairness opinion. In its analysis, Houlihan Lokey made numerous assumptions with respect to IDT, the transaction, industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of the respective entities. The estimates contained in such analyses are not necessarily indicative of actual values or predictive of future results or values, which may be more or less favorable than suggested by the analyses. Additionally, analyses relating to the value of IDT's businesses or securities are not appraisals. Accordingly, such analyses and estimates are inherently subject to substantial uncertainty.

**The full text of Houlihan Lokey's opinion, which describes, among other things, the assumptions made, general procedures followed, matters considered and limitations on the review undertaken by Houlihan Lokey in rendering its opinion is attached to this**



proxy statement/prospectus as Annex D and is incorporated in this proxy statement/prospectus by reference. The summary of the Houlihan Lokey opinion in this proxy statement/prospectus is qualified in its entirety by reference to the full text of the Houlihan Lokey opinion. You are urged to read Houlihan Lokey's opinion in its entirety.

### **DRS's Reasons for the Merger**

The board of directors of DRS met several times to review the merger and approved the merger agreement on August 15, 2003 after DRS's senior management discussed with the board of directors the business, assets, liabilities, results of operations and financial performance of IDT, the complementary nature of certain of IDT's products and capabilities, the expectation that IDT could be readily integrated with DRS, and the potential benefits that could be realized as a result of such integration.

### **Interests of Certain Persons in the Merger; Conflicts of Interest**

In considering the recommendation of IDT's board of directors with respect to the merger, IDT stockholders should be aware that some of IDT's directors and executive officers may have interests in the merger that may be different from, or in addition to, the interests of IDT stockholders generally. The IDT board of directors was aware of these interests and considered them in approving the merger agreement and the merger.

#### *DRS Board Seat*

Pursuant to the merger agreement, DRS will use its reasonable efforts to cause Robert B. McKeon, chairman of IDT, to be elected to its board of directors as a Class I director of DRS as of the effective time of the merger, with a term expiring in 2005. From and after the closing of the merger until the Veritas stockholders beneficially own less than 3% of the issued and outstanding shares of DRS common stock, DRS shall use its reasonable efforts to cause Mr. McKeon to be renominated as a director for election at each annual meeting of DRS's stockholders at which the Class I directors of DRS stand for election.

Mr. McKeon is the President of Veritas Capital Management, L.L.C., which beneficially owned 55.1% of the outstanding shares of IDT as of the record date. As a result of IDT Holding L.L.C.'s expected pro rata distribution of its right to receive the merger consideration to its holders of membership interests prior to the merger, the Veritas stockholders are expected to beneficially own between 7.2% and 7.7% of DRS's outstanding shares following the merger.

Robert B. McKeon has been a member of IDT's board of directors since June 1998 and was elected chairman in August 1999. Mr. McKeon founded Veritas Capital Management, L.L.C. in 1992 and has been a managing member of Veritas since.

#### *Retention Bonus Agreements*

On February 26, 2003, IDT's board adopted a retention incentive program for certain key employees to ensure their continuous full-time employment. Of the aggregate of approximately \$3.2 million available for award under the program, Messrs. John W. Wilhoite, Vice President of Finance and Chief Financial Officer, Thomas J. Keenan, Chief Executive Officer, John J. Sciuto, President and Chief Operating Officer, William E. Collins, Vice President, Administration, Gary A. Smith, Vice President and Chief Technical Officer, and Col. James M. Davis, Jr. (USA Ret.), Vice President, Business Development, are each eligible to receive respective special retention bonuses of \$300,000, \$200,000, \$200,000, \$75,000, \$25,000 and \$25,000 under the circumstances and conditions specified in the agreements, including remaining employed with IDT for six months following a sale of IDT. The remaining amount available under the retention incentive program is designated for other employees of IDT. This program is in addition to, and does not in any way replace or reduce any other compensation, bonus, or severance program offered such employees or any of IDT's other employees.

#### *Interests of IDT Management in IDT Holding, L.L.C. and IDT*

Although no options or warrants to purchase any equity security of IDT have ever been granted to members of IDT management, certain members of management and outside directors of IDT participate in IDT's equity appreciation pursuant to membership interests in IDT Holding, L.L.C., which owned approximately 55.1% of IDT's common stock as of the record date. Veritas, its

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co-investors, and certain members of management own Class A membership interests in IDT Holding. Certain members of management and outside directors made nominal capital contributions to own Class B membership interests in IDT Holding. Class B interests are similar to stock options in that the holder can realize the benefit of appreciation of equity value without the risk of losing his or her investment. Pursuant to the terms of the operating agreement governing IDT Holding, the holders of Class B membership interests as a group are entitled to receive 5.881% of all distributions made from IDT Holding, provided that the holders of the Class A interests have received a return of their invested capital. Class B membership interests are subject to a five-year vesting schedule. To the extent that Class B interests do not vest, the economic interest allocable to unvested Class B interests will be allocated to the benefit of holders of Class A interests. As a result of the merger, all of the Class B membership interests in IDT Holding outstanding as of the date of the merger will automatically vest.

Distributions may be made from IDT Holding only at the direction of Veritas and in its sole discretion.

Veritas has decided to liquidate IDT Holding in connection with the closing of the merger and, as a result, IDT Holding is expected to make a pro rata distribution of its right to receive the merger consideration to its holders of membership interests prior to the merger. Consequently, holders of IDT Holding membership interests will be entitled to receive their pro rata share of the merger consideration to which IDT Holding would otherwise have been entitled.

Certain officers and directors have independently purchased shares of IDT. Each of these officers and directors owns less than 2,000 shares of IDT common stock, representing less than 1% of the outstanding common stock of IDT.

### *Director and Officer Indemnification*

The merger agreement provides that following the effective time of the merger, DRS and the surviving corporation will, as permitted by law, indemnify persons who were IDT directors or officers before the merger and who suffer liabilities or losses from any claim, proceeding, action, suit or investigation arising out of or pertaining to the fact that the person was an IDT director or officer and pertaining to matters existing or occurring prior to the effective time of the merger. Following the effective time of the merger, the certificate of incorporation and bylaws of the surviving corporation will contain exculpation, indemnification and expense advancement provisions relating to current and former directors and officers no less favorable than those set forth in IDT's current certificate of incorporation and bylaws and such provisions will not be amended, repealed or otherwise modified in any manner that would adversely affect the rights of those individuals. The merger agreement further requires that, for a minimum of six years following the effective time of the merger, subject to certain limitations, the surviving corporation maintain coverage under a director and officer liability insurance policy at a level at least equal to that which IDT is maintaining for its officers and directors prior to the merger.

### **Stock Exchange Listing**

DRS has received authorization, subject to official notice of issuance, from the NYSE for the listing of DRS common stock issuable pursuant to the merger in exchange for IDT common stock. The trading symbol for DRS common stock is "DRS." Following the merger, IDT stockholders will no longer be able to trade shares of IDT common stock on the NYSE or any other exchange because the existing IDT common stock will cease to exist and therefore will no longer be listed on any exchange.

### **Anticipated Accounting Treatment**

DRS will account for the merger under the "purchase" method of accounting in accordance with accounting principles generally accepted in the United States of America. Therefore, the total merger consideration paid by DRS, together with the direct costs of the merger, will be allocated to IDT's tangible and amortizable intangible assets acquired and liabilities assumed based on their fair values,

with any excess being treated as goodwill. The assets, liabilities and results of operations of IDT will be consolidated into the assets, liabilities and results of operations of DRS after the merger.

### **Material United States Federal Income Tax Consequences of the Merger**

The following is a general summary of the material United States federal income tax consequences of the merger to IDT stockholders upon their exchange of IDT common stock for DRS common stock and cash pursuant to the merger agreement. This summary is limited to IDT stockholders that hold their IDT common stock as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended. This summary does not address any U.S. federal income tax consequences to IDT stockholders who exercise appraisal rights pursuant to Delaware law. This summary does not address all aspects of United States federal income taxation that may be applicable to IDT stockholders

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in light of their particular circumstances or to IDT stockholders subject to special treatment under United States federal income tax law, such as (without limitation):

certain U.S. expatriates;

IDT stockholders that hold IDT common stock as part of a straddle, appreciated financial position, synthetic security, hedge, conversion transaction or other integrated investment;

IDT stockholders who hold their shares as a result of a constructive sale;

IDT stockholders whose functional currency is not the United States dollar;

IDT stockholders who acquired IDT common stock through the exercise of employee stock options or otherwise as compensation or through a tax-qualified retirement plan;

IDT stockholders who are also stockholders of DRS;

IDT stockholders that are entities treated as partnerships for United States federal income tax purposes;

foreign persons and entities;

financial institutions;

insurance companies;

tax-exempt entities;

dealers in securities or foreign currencies; and

traders in securities that mark-to-market.

Furthermore, this summary does not address any aspect of state, local or foreign tax laws or the alternative minimum tax provisions of the Internal Revenue Code of 1986, as amended.

The following summary is not binding on the Internal Revenue Service or any court. The summary is based on the Internal Revenue Code, the Treasury Regulations promulgated thereunder, and judicial and administrative rulings and decisions in effect on the date hereof, all of which are subject to change at any time, possibly with retroactive effect, which could result in United States federal income tax consequences different from those described above. As a result, IDT cannot assure you that the tax consequences described in this discussion will not be challenged by the IRS or will be sustained by a court if so challenged. No ruling has been or will be sought from the IRS, and no opinion of counsel has been or will be rendered, as to the United States federal income tax consequences of the merger.

**IDT STOCKHOLDERS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES OF THE MERGER TO THEM, INCLUDING THE APPLICABLE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE MERGER TO THEM AND THE EFFECT OF POSSIBLE CHANGES IN TAX LAWS.**

Material United States federal income tax consequences to an IDT stockholder, as a result of the merger, are as follows:

The receipt of cash and DRS common stock should be a fully taxable transaction for United States federal income tax purposes. In general, each IDT stockholder should recognize gain or

loss in an amount equal to the difference between (i) the amount realized by the holder in exchange for its IDT shares and (ii) the holder's adjusted tax basis in the exchanged shares. Gain or loss should be determined separately for each block of IDT common stock (i.e., shares acquired at the same cost in a single transaction) exchanged pursuant to the merger. The amount realized by each holder of IDT common stock should equal the amount of cash received plus the fair market value (as of the date of the merger) of the DRS common stock received.

Any gain or loss recognized should be long-term capital gain or loss if the shares exchanged were held for more than one year as of the date of the merger and should be short-term capital gain or loss if the exchanged shares were held for one year or less.

Capital gains recognized by an individual upon a disposition of IDT common stock held for more than one year generally should be subject to a maximum United States federal income tax rate of 15%. Certain limitations apply to the use of capital losses.

The holder's initial tax basis in the DRS common stock received pursuant to the merger should be equal to the fair market value of the DRS common stock at the effective time of the merger and the holder's holding period for the DRS common stock should begin on the date following the closing date of the merger.

#### **Backup Withholding**

Certain noncorporate holders of IDT common stock may be subject to backup withholding, at applicable rates (currently 28%), on amounts received pursuant to the merger. Backup withholding will not apply, however, to a holder who (i) furnishes a correct taxpayer identification number and certifies that the holder is not subject to backup withholding on IRS Form W-9 or a substantially similar form, (ii) provides a certification of foreign status on an appropriate Form W-8 or successor form, or (iii) is otherwise exempt from backup withholding. If a holder does not provide its correct taxpayer identification number on IRS Form W-9 or a substantially similar form, the holder may be subject to penalties imposed by the IRS. Amounts withheld, if any, are generally not an additional tax and may be refunded or credited against the holder's United States federal income tax liability, provided that the holder furnishes the required information to the IRS.

**THE SUMMARY OF MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES SET FORTH ABOVE IS INTENDED TO PROVIDE A GENERAL SUMMARY ONLY AND IS NOT INTENDED TO BE A COMPLETE ANALYSIS OR DESCRIPTION OF ALL POTENTIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER. IN ADDITION, THE SUMMARY DOES NOT ADDRESS TAX CONSEQUENCES THAT MAY VARY WITH, OR ARE CONTINGENT ON, INDIVIDUAL CIRCUMSTANCES. IT DOES NOT ADDRESS CERTAIN CATEGORIES OF HOLDERS OF SHARES OF COMMON STOCK OR HOLDERS OF WARRANTS OR OPTIONS TO PURCHASE COMMON STOCK. MOREOVER, THE SUMMARY DOES NOT ADDRESS ANY NON-INCOME TAX OR ANY FOREIGN, STATE, LOCAL OR OTHER TAX CONSEQUENCES OF THE MERGER. THE SUMMARY DOES NOT ADDRESS THE TAX CONSEQUENCES OF ANY TRANSACTION OTHER THAN THE MERGER. ACCORDINGLY, EACH IDT STOCKHOLDER IS STRONGLY URGED TO CONSULT WITH ITS OWN TAX ADVISOR TO DETERMINE THE PARTICULAR FEDERAL, STATE, LOCAL OR FOREIGN INCOME, REPORTING OR OTHER TAX CONSEQUENCES OF THE MERGER TO THAT STOCKHOLDER.**

#### **DRS Financing**

In connection with the merger, DRS will be required to pay approximately \$261.3 million in cash in respect of the outstanding IDT shares and will refinance approximately \$204.4 million of IDT's debt. DRS also expects to incur approximately \$20.0 million of Merger and financing-related costs. DRS's available cash as of June 30, 2003 was approximately \$90 million; consequently, DRS requires financing to complete the merger.

*Credit Facility*

On August 17, 2003, DRS executed a commitment letter with Bear Stearns and an affiliate of Bear Stearns providing for a new credit facility of \$587 million to finance the merger. This commitment letter was replaced by a joint commitment letter from Wachovia Bank, DRS's current lender, and Bear Stearns on September 12, 2003.

Under the terms of the new commitment letter, DRS would be provided with credit facilities totaling \$512 million (which amount shall be increased to the extent that the senior subordinated notes offering (or bridge financing) generates less than \$200 million), with Wachovia Bank committing to provide up to 70% of the facility and Bear Stearns committing to provide not less than 30%. The credit facility under the commitment letter is comprised of the following: (1) a seven-year term loan facility in an aggregate principal amount equal to \$362 million (which amount shall be increased to the extent that the senior subordinated notes offering (or bridge financing) generates less than \$200 million), with principal repayable in quarterly installments at a rate of 1.00% per year and the balance to be repaid in equal quarterly installments beginning six years following the closing of the merger and (2) a five-year revolving credit facility in an aggregate principal amount equal to \$150 million, to be repaid in full on the fifth anniversary of the closing date of the facility. In addition, if the offering of notes described below is not consummated by the closing date of the merger, Wachovia Bank and Bear Stearns have agreed to provide a senior subordinated bridge facility in an aggregate principal amount equal to \$125 million that will mature one year from the date of issuance and which shall include a right to exchange the facility for senior subordinated exchange notes. The new commitment letter also provides that the loans will bear interest at DRS's option at either the base rate (the greater of Wachovia Bank's prime rate or the overnight federal funds rate plus 0.50%, plus an applicable base rate margin) or at the LIBOR rate. It is anticipated that the LIBOR rate shall be calculated initially as follows: (i) for term loans, LIBOR plus a spread to be agreed upon prior to the closing of the merger and (ii) for revolving loans, LIBOR plus a spread to be agreed upon prior to the closing of the merger.

The commitment letter requires that the loans be secured by all of DRS's domestic assets, including the stock of DRS's domestic subsidiaries and 65% of the stock of DRS's first-tier foreign subsidiaries. This commitment is subject to customary conditions, including the negotiation, execution and delivery of definitive documentation.

*Offering of Senior Subordinated Notes*

In addition to the financing contemplated by the commitment letter, DRS has commenced an offering of senior subordinated notes in an aggregate principal amount of \$200 million pursuant to Rule 144A and Regulation S of the Securities Act. The notes will bear market interest for high yield debt securities and be guaranteed by certain of DRS's wholly-owned U.S. subsidiaries. The notes will include customary covenants for an offering of this type, including, but not limited to, limitations on DRS's and its restricted subsidiaries' ability to incur indebtedness, make restricted payments, enter into affiliate transactions, incur liens, consummate mergers and extraordinary transactions and sell assets. The completion of the offering will be subject to market and other customary conditions, including, but not limited to, general global and U.S. economic conditions, the market for similar securities and delivery of customary documents, officer certifications and representations prior to, or simultaneously with, the closing of the offering. The proceeds of the offering will be held in escrow until the closing of the merger. If the merger is not completed by December 15, 2003, DRS will be required to repurchase all of the notes at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest. The notes may also be redeemed by DRS at its option, in whole, but not in part, at any time prior to December 16, 2003, if in DRS's sole judgment, the merger will not be consummated by December 15, 2003. The redemption price will be equal to 100% of the principal amount thereof plus accrued and unpaid interest. Bear Stearns and Wachovia Securities will act as initial purchasers in the offering of the notes.

**Regulatory Matters**

The merger agreement provides that DRS and IDT will use reasonable efforts to cooperate with one another in determining which filings with governmental entities are required to be made prior to the effective time of the merger and to timely make such filings. Nothing in the merger agreement requires either DRS or IDT to sell, hold separate or otherwise dispose of their assets or conduct their businesses differently, whether as a condition to obtaining approval from a governmental entity or any other person for any other reason.

**Hart-Scott-Rodino Act**

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, DRS and IDT were required to give notification and furnish information to the Federal Trade Commission and the Antitrust Division of the Department of Justice and to wait the specified waiting period before they can complete the merger. Each of IDT and DRS filed the required notification and report forms with the Federal Trade Commission and the Antitrust Division on August 26, 2003. The applicable waiting period under the Hart-Scott-Rodino Act expired on September 25, 2003.

### Third-Party Approvals

IDT is a party to a number of material agreements. Pursuant to the merger agreement, IDT has agreed to obtain all necessary consents, approvals and waivers from third parties as may be required pursuant to these agreements.

### Appraisal Rights

Holders of shares of IDT common stock who do not vote in favor of the adoption of the merger agreement and approval of the merger and who properly demand appraisal of their shares will be entitled to appraisal rights in connection with the merger under Section 262 of the General Corporation Law of the State of Delaware.

**The following discussion is not a complete statement of the law pertaining to appraisal rights under Section 262 and is qualified in its entirety by the full text of Section 262 that is attached to this proxy statement/prospectus as Annex E. All references in Section 262 and in this summary to a "stockholder" are to the record holder of the shares of IDT common stock as to which appraisal rights are asserted. A person having a beneficial interest in shares of IDT common stock held of record in the name of another person, such as a broker or nominee, must act promptly to cause the record holder to follow the steps summarized below properly and in a timely manner to perfect appraisal rights.**

Under Section 262, persons who hold shares of IDT common stock who follow the procedures set forth in Section 262 will be entitled to have their shares of IDT common stock appraised by the Delaware Court of Chancery and to receive payment of the "fair value" of the shares, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any, as determined by the court.

Under Section 262, where a merger is to be submitted for approval at a meeting of stockholders, as in the case of the adoption of the merger agreement and approval of the merger by IDT stockholders, the corporation, not less than 20 days prior to the meeting, must notify each of its stockholders entitled to appraisal rights that appraisal rights are available and include in the notice a copy of Section 262. This proxy statement/prospectus shall constitute the notice, and the applicable statutory provisions are attached to this proxy statement/prospectus as Annex E. Any holder of IDT common stock who wishes to exercise appraisal rights or who wishes to preserve such holder's right to

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do so, should review the following discussion and Annex E carefully because failure to timely and properly comply with the procedures specified will result in the loss of appraisal rights.

A holder of shares of IDT common stock wishing to exercise the holder's appraisal rights must deliver to, before the vote on the adoption of the merger agreement and approval of the merger at the special meeting, a written demand for the appraisal of their shares and must not vote in favor of the adoption of the merger agreement and approval of the merger. A holder of shares of IDT common stock wishing to exercise appraisal rights must hold of record the shares on the date the written demand for appraisal is made and must continue to hold the shares of record through the effective time of the merger. A vote against the adoption of the merger agreement and approval of the merger will not in and of itself constitute a written demand for appraisal satisfying the requirements of Section 262. The written demand for appraisal must be in addition to and separate from any proxy or vote. The demand must reasonably inform of the identity of the holder as well as the intention of the holder to demand an appraisal of the "fair value" of the shares held by the holder.

Only a holder of record of shares of IDT common stock is entitled to assert appraisal rights for the shares of IDT common stock registered in that holder's name. A demand for appraisal in respect of shares of IDT common stock should be executed by or on behalf of the holder of record, fully and correctly, as the holder's name appears on the holder's stock certificates, and must state that the person intends thereby to demand appraisal of the holder's shares of IDT common stock in connection with the merger. If the shares of IDT common stock are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of the demand should be made in that capacity, and if the shares of IDT common stock are owned of record by more than one person, as in a joint tenancy and tenancy in common, the demand should be executed by or on behalf of all joint owners. An authorized agent, including two or more joint owners, may execute a demand for appraisal on behalf of a holder of record; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, the agent is agent for the owner or owners. A record holder such as a broker who holds shares of IDT common stock as nominee for several beneficial owners may exercise appraisal rights with respect to the shares of IDT common stock held for one or more beneficial owners while not exercising the rights with respect to the shares of IDT common stock held for other beneficial owners; in such case, however, the written demand should set forth the number of shares of IDT common stock as to which appraisal is sought and where no number of shares of IDT common stock is expressly mentioned the demand will be presumed to cover all shares of IDT common stock held in the name of the record owner. Stockholders who hold their shares of IDT common stock in brokerage accounts or other nominee forms and who wish to exercise

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appraisal rights are urged to consult with their brokers to determine the appropriate procedures for the making of a demand for appraisal by such a nominee.

All written demands for appraisal pursuant to Section 262 should be sent or delivered to IDT at:

Integrated Defense Technologies, Inc.  
110 Wynn Drive  
Huntsville, Alabama 35805  
Attention: Secretary

Within 10 days after the effective time of the merger, the surviving corporation must notify each holder of IDT common stock who has complied with Section 262 and who has not voted in favor of the adoption of the merger agreement and approval of the merger that the merger has become effective. Within 120 days after the effective time of the merger, but not thereafter, the surviving corporation or any holder of IDT common stock who has so complied with Section 262 and is entitled to appraisal rights under Section 262 may file a petition in the Delaware Court of Chancery demanding a determination of the fair value of the holder's shares of IDT common stock. The surviving corporation is under no obligation to and has no present intention to file a petition. Accordingly, it is the obligation

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of the holders of IDT common stock to initiate all necessary action to perfect their appraisal rights in respect of shares of IDT common stock within the time prescribed in Section 262.

Within 120 days after the effective time of the merger, any holder of IDT common stock who has complied with the requirements for exercise of appraisal rights will be entitled, upon written request, to receive from the surviving corporation a statement setting forth the aggregate number of shares not voted in favor of the adoption of the merger agreement and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. The statement must be mailed within ten days after a written request therefore has been received by the surviving corporation or within ten days after the expiration of the period for delivery of demands for appraisal, whichever is later.

If a petition for an appraisal is timely filed by a holder of shares of IDT common stock and a copy thereof is served upon the surviving corporation, the surviving corporation will then be obligated within 20 days to file with the Delaware Register in Chancery a duly verified list containing the names and addresses of all stockholders who have demanded an appraisal of their shares and with whom agreements as to the value of their shares have not been reached. After notice to the stockholders as required by the Court, the Delaware Court of Chancery is empowered to conduct a hearing on the petition to determine those stockholders who have complied with Section 262 and who have become entitled to appraisal rights thereunder. The Delaware Court of Chancery may require the holders of shares of IDT common stock who demanded payment for their shares to submit their stock certificates to the Register in Chancery for notation thereon of the pendency of the appraisal proceeding; and if any stockholder fails to comply with the direction, the Court of Chancery may dismiss the proceedings as to the stockholder.

After determining the holders of IDT common stock entitled to appraisal, the Delaware Court of Chancery will appraise the "fair value" of their shares of IDT common stock, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. Holders of IDT common stock considering seeking appraisal should be aware that the fair value of their shares of IDT common stock as so determined could be more than, the same as or less than the consideration they would receive pursuant to the merger if they did not seek appraisal of their shares of IDT common stock and that investment banking opinions as to fairness from a financial point of view are not necessarily opinions as to fair value under Section 262. We do not anticipate offering more than the merger consideration to any stockholder exercising appraisal rights and reserve the right to assert, in any appraisal proceeding, that, for purposes of Section 262, the "fair value" of a share of IDT common stock is less than the merger consideration. The Delaware Supreme Court has stated that "proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court" should be considered in the appraisal proceedings. In addition, Delaware courts have decided that the statutory appraisal remedy, depending on factual circumstances, may or may not be a dissenter's exclusive remedy. The Court of Chancery will also determine the amount of interest, if any, to be paid upon the amounts to be received by persons whose shares of IDT common stock have been appraised. The costs of the action may be determined by the Court and taxed upon the parties as the Court deems equitable. The Court may also order that all or a portion of the expenses incurred by any stockholder in connection with an appraisal, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts utilized in the appraisal proceeding, be charged pro rata against the value of all the shares entitled to be appraised.

Any holder of shares of IDT common stock who has duly demanded an appraisal in compliance with Section 262 will not, after the effective time of the merger, be entitled to vote the shares of IDT common stock subject to the demand for any purpose or be entitled to the payment of dividends or other distributions on those shares of IDT common stock (except dividends or other distributions

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payable to holders of record of IDT common stock as of a record date prior to the effective time of the merger).

If any stockholder who demands appraisal of shares of IDT common stock under Section 262 fails to perfect, or effectively withdraws or loses, such holder's right to appraisal, the shares of IDT common stock of the stockholder will be converted into the right to receive the merger consideration. A stockholder will fail to perfect, or effectively lose or withdraw, the holder's right to appraisal if no petition for appraisal is filed within 120 days after the effective time of the merger, or if the stockholder delivers to the surviving corporation a written withdrawal of the holder's demand for appraisal and an acceptance of the merger, except that any attempt to withdraw made more than 60 days after the effective time of the merger will require the written approval of the surviving corporation and, once a petition for appraisal is filed, the appraisal proceeding may not be dismissed as to any holder absent court approval.

**Failure to follow the steps required by Section 262 for perfecting appraisal rights may result in the loss of such rights (in which event the holder of IDT common stock will be entitled to receive the consideration specified in the merger agreement).**

#### **Delisting and Deregistration of IDT Common Stock**

If the merger is completed, the shares of IDT common stock will be delisted from the NYSE and deregistered under the Securities Exchange Act of 1934, as amended. Consequently, following completion of the merger, IDT stockholders will no longer be able to trade shares of IDT common stock on the NYSE.

### **THE MERGER AGREEMENT**

**The following is a summary of selected material provisions of the merger agreement. This summary is qualified in its entirety by reference to the merger agreement, which is incorporated by reference in its entirety and attached to this proxy statement/prospectus as Annex A. We urge you to read the merger agreement in its entirety.**

#### **Form of the Merger**

If the holders of IDT common stock adopt the merger agreement and approve the merger and all other conditions to the merger are satisfied or waived, IDT will be merged with Merger Sub, a newly formed and wholly-owned subsidiary of DRS. After the merger, IDT will be the surviving corporation and a wholly-owned subsidiary of DRS. DRS and IDT anticipate that the closing of the merger will occur as promptly as practicable after the adoption of the merger agreement and approval of the merger by the IDT stockholders at the special meeting.

#### **Merger Consideration**

At the effective time of the merger, holders of IDT common stock (other than shares held by DRS, IDT or stockholders properly demanding appraisal of their shares of IDT common stock) will be entitled to receive a combination of cash and DRS common stock in exchange for their shares of IDT common stock. The merger consideration for each share of IDT common stock is (i) \$12.25 in cash and (ii) a fraction of one share of DRS common stock equal to \$5.25 divided by the lesser of (a) \$28.00 and (b) the greater of (A) the average NYSE closing price of DRS's common stock price for the ten trading day period ending with the second complete trading day prior to the closing of the merger and (B) \$25.90. As a result, you will be entitled to receive \$12.25 in cash and between 0.1875 and 0.2027 of a share of DRS common stock for each share of IDT common stock that you own.

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#### **Conversion of Shares; Exchange Agent; Procedures for Exchange of Certificates; Fractional Shares**

At the effective time of the merger, each outstanding share of IDT common stock (other than shares held by DRS, IDT or stockholders properly demanding appraisal of their shares of IDT common stock) will automatically convert into the right to receive the merger consideration. Following the merger, DRS will cause the merger consideration to be provided to the exchange agent. The exchange agent will distribute the merger consideration to IDT stockholders who have surrendered their IDT common stock certificates in accordance with the transmittal letter to be sent to each IDT stockholder by the exchange agent. DRS has appointed The Bank of New York to act as exchange agent for the merger. IDT



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stockholders should NOT return stock certificates with the enclosed proxy card. A transmittal letter with instructions for the surrender of stock certificates will be mailed to you as soon as practicable after completion of the merger.

After the effective time of the merger, each certificate that previously represented shares of IDT common stock (other than certificates held by stockholders properly demanding appraisal) will represent only the right to receive the merger consideration. The merger consideration will also include cash payable in lieu of fractional shares of DRS common stock and dividends or other distributions on DRS common stock with record dates after the effective time of the merger.

Those certificates previously representing IDT common stock may only be paid whole shares of DRS common stock, dividends or other distributions payable on whole shares of DRS common stock and the cash consideration to be received pursuant to the merger (including any cash in lieu of any fractional shares) after you surrender your certificates to the exchange agent. No interest will be paid or will accrue on the cash payable upon surrender of your certificate(s).

If there is a transfer of ownership of IDT common stock that is not registered in the transfer records of IDT, exchange and payment may be made to the transferee if the certificate representing those shares of IDT common stock is presented to the exchange agent, accompanied by all documents required to evidence and effect the transfer and to evidence that any applicable stock transfer and other taxes have been paid.

DRS will not issue any fractional shares of DRS common stock to any IDT stockholder upon surrender of its certificates. In addition, no dividend or distribution of DRS will relate to fractional share interests and the fractional share interest will not entitle the owner to vote or to any rights of a stockholder of DRS. In lieu of the issuance of fractional shares, DRS will deliver to the exchange agent cash in order to pay each former holder of IDT common stock an amount in cash equal to the product obtained by multiplying the fractional share interest to which the former holder (after taking into account all shares of IDT common stock held at the effective time of the merger by the holder) would otherwise be entitled by the average closing price of the DRS shares for the five days preceding the effectiveness of the merger.

*Shares Held by IDT and DRS.* Shares of IDT common stock owned by IDT or DRS will be cancelled in the merger without payment of any merger consideration.

### **Effective Time**

The merger will become effective at the time the certificate of merger relating to the merger is filed with the Secretary of State of the State of Delaware or such later time as is agreed upon by the parties and specified in the certificate of merger. The filing of the certificate of merger will take place after the fulfillment or waiver of the conditions described below under " Conditions of the Merger."

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### **Management and Organizational Documents after the Merger**

*Management.* The officers of IDT prior to the merger shall be the officers of the surviving corporation immediately following the merger. The directors of Merger Sub prior to the merger shall be the directors of the surviving corporation immediately following the merger.

*Organizational Documents.* The certificate of incorporation of IDT prior to the merger shall be the certificate of incorporation of the surviving corporation immediately following the merger. The bylaws of Merger Sub prior to the merger shall be the bylaws of the surviving corporation immediately following the merger.

### **Representations and Warranties**

The merger agreement contains customary representations and warranties by the parties relating to a number of matters, including the following:

corporate organization and similar corporate matters of IDT, DRS and Merger Sub;

authorization, execution, delivery, validity, performance and enforceability of, and required consents, approvals, orders and authorizations of governmental authorities relating to, the merger agreement and related matters of IDT, DRS and Merger Sub;

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required stockholder vote of IDT;

compliance with applicable laws by IDT;

capital structure of IDT and DRS;

the ownership by IDT of its subsidiaries;

documents filed with the SEC by each of IDT and DRS and the accuracy of the information contained in such documents;

absence of litigation and related matters with respect to IDT;

absence of certain changes in the business of IDT;

the filing and payment of taxes by IDT;

employee benefit plan matters, and labor and employment matters, of IDT;

the use of brokers and payment of related fees by IDT;

intellectual property matters with respect to IDT;

IDT's possession of required permits and regulatory approvals necessary to conduct its business;

compliance of IDT and its subsidiaries with environmental laws;

title to IDT's assets and properties;

maintenance of IDT insurance policies;

material contracts of IDT;

absence of undisclosed liabilities of IDT;

business practices of IDT with respect to uses of funds and political contributions and payments;

receipt of the opinion by IDT from its financial advisor;

inapplicability of the rights agreement between IDT and The Bank of New York;

accuracy of information supplied by each of IDT and DRS in connection with this proxy statement/prospectus and the registration statement of which it is a part;

export licenses and agreements of IDT;

IDT's government contracts; and

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inapplicability of the requirements of takeover statutes to IDT.

Certain of IDT's and DRS's representations and warranties are qualified as to materiality or "material adverse effect." When used with respect to IDT or DRS, "material adverse effect" means either of the following:

any change or effect that is or would reasonably be expected to be materially adverse to the business, results of operations, assets, liabilities or financial condition of that company and its subsidiaries, taken as a whole; or

any event, matter, condition or effect which precludes or delays or would reasonably be expected to preclude or delay that company from materially performing its material obligations under the merger agreement or the consummation of the related transactions.

The preceding will not be deemed a "material adverse effect" with respect to IDT if it is a result of one of the following:

the taking of any action pursuant to the merger agreement or the announcement or pendency of the merger;

changes in economic, financial market, regulatory or political conditions generally;

changes or conditions affecting the industry in which IDT operates; or

any matters disclosed in IDT's disclosure letter accompanying the merger agreement.

#### **Covenants**

*Interim Operations Pending Merger.* IDT has agreed that until the effective time of the merger it will conduct its operations in the ordinary course of business consistent with past practice and use its commercially reasonable efforts to preserve intact its business organizations and goodwill and to keep available the services of its officers, employees and consultants, and maintain a satisfactory relationship with those who have business relationships with them. IDT also must promptly notify DRS of breaches of its representations and warranties in the merger agreement or the occurrence of an event that would make a representation or warranty no longer true. In addition, IDT must promptly deliver to DRS copies of items filed with the SEC and must pay all taxes when due. Subject to certain exceptions, the merger agreement expressly restricts the ability of IDT, without DRS's prior written consent (which consent cannot be unreasonably withheld or delayed), to:

amend or otherwise change IDT's certificate of incorporation or bylaws;

offer, issue, sell or pledge any shares of its capital stock or other ownership interest in IDT (or any securities convertible into or exchangeable for any such shares or interest, or any rights, warrants or options to acquire or with respect to any such shares of stock, interest or convertible or exchangeable securities);

split its stock or otherwise change IDT's capitalization;

grant, confer or award any option, warrant, convertible security or other right to acquire shares of IDT common stock;

declare, set aside, make or pay any dividend;

redeem, purchase or otherwise acquire its own stock or other interests, or any outstanding options, warrants or other rights to acquire IDT common stock or interests;

sell, lease, encumber or otherwise dispose of certain assets except in the ordinary course of business;

acquire any entity or assets that would be material to IDT, except for acquisitions in the ordinary course of business or those less than \$50,000 individually or \$100,000 in the aggregate;

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incur any debt except for working capital and the purchase of capital equipment in the ordinary course of business;

assume or guarantee any debt except for a subsidiary;

make or forgive loans, advances or investments other than certain loans to officers and directors in the ordinary course of business in excess of \$100,000 in the aggregate;

increase compensation or benefits payable to directors, officers or employees except for wages of non-officer employees in the ordinary course of business;

generally take action with respect to any collective bargaining agreement or employee benefit plans;

effect any reorganization or recapitalization;

take action with respect to the disposition of litigation in excess of \$250,000 individually, or \$500,000 in the aggregate, with certain exceptions;

prevent, delay or materially impair the ability of IDT, DRS or Merger Sub to consummate the merger, or cause any of the conditions to the merger not to be satisfied;

take action with respect to various tax matters; or

agree to take any of the actions listed above.

*Stockholders Meeting.* The merger agreement requires IDT to call and hold a meeting of its stockholders to adopt the merger agreement and approve the merger. IDT, however, is not required to hold the special meeting if the merger agreement is terminated. See " Termination." Additionally, subject to certain limitations and certain fiduciary duty considerations, IDT has agreed to recommend that IDT's stockholders vote in favor of adoption of the merger agreement and approval of the merger and take all reasonable and lawful action to solicit and obtain such adoption and approval. See " Covenants, No Solicitation and Alternative Proposals."

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*Access to Information.* Subject to applicable laws relating to the exchange of information, each party has agreed to, and to cause its subsidiaries to, provide the other party's officers, employees, accountants, counsel and other representatives reasonable access to all of such party's properties, books, records and to such party's management.

Each party has agreed to hold in confidence all information that the other party receives from such party in connection with the merger and the merger agreement. The parties have entered into a confidentiality agreement governing their rights and obligations with respect to such confidential treatment.

*No Solicitation and Alternative Proposals.* None of IDT, its subsidiaries, officers, directors or employees (including any investment banker, attorney or accountant retained by IDT or its subsidiaries) may initiate, solicit, or knowingly encourage, directly or indirectly, any inquiries or the making or implementation of any of the following inquiries, offers or proposals involving IDT, each known in the merger agreement as an "alternative proposal":

any merger, consolidation, share exchange, recapitalization, liquidation, dissolution, business combination or similar transaction;

any sale, lease, exchange, mortgage, pledge, transfer or other disposition of 20% or more of the consolidated assets of IDT and its subsidiaries taken as a whole;

any tender offer or exchange offer that would result in any person, entity or group beneficially owning 20% or more of a class of securities of IDT or any subsidiary, or the filing of a registration statement in connection with such offer;

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any acquisition of 20% or more of the outstanding shares of stock of IDT or the filing of a registration in connection with such an acquisition; or

any other acquisition or disposition that would prevent or materially diminish the benefits of the merger to DRS.

The merger agreement, however, permits IDT, prior to the IDT stockholders' adoption of the merger agreement and the approval of the merger, to provide confidential information or data access to the properties, books or records of IDT or its subsidiaries or negotiate with any person who has made, in the good faith judgment of the IDT board after consultation with their financial advisors, a bona fide written alternative proposal that would reasonably be expected to result in a "superior proposal" (as discussed below) if the following conditions are met:

such actions are a response to any person who has made, in the good faith judgment of the IDT board after consultation with their financial advisors, a bona fide written alternative proposal that would reasonably be expected to result in a "superior proposal" (as discussed below);

the alternative proposal was not initiated, solicited or knowingly encouraged by IDT, its subsidiaries or their agents in violation of their non-solicitation obligations under the merger agreement;

IDT has complied with the no-solicitation provisions of the merger agreement;

the IDT board determines in good faith that the failure to participate in discussions or negotiations would result in the breach of its fiduciary duty to IDT's stockholders under applicable law; and

a copy of all information to the party making the alternative proposal is delivered simultaneously to DRS if it has not previously been furnished or made available to DRS.

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IDT may not generally withdraw or modify its recommendation of the merger, approve or recommend any alternative proposal, take any action to render the provisions of any anti-takeover statute inapplicable to any third party, redeem the rights under IDT's rights agreement or cause IDT to accept any alternative proposal. However, before the stockholders adopt the merger agreement and approve the merger, IDT may withdraw, change or modify, in a manner adverse to DRS, its recommendation of the merger agreement if required by the IDT board's fiduciary duties or may recommend an alternative proposal if such proposal is a superior proposal and the IDT board determines, after consultation with outside counsel, that failure to accept the superior proposal would result in the IDT board's breach of its fiduciary duty to IDT's stockholders. Moreover, IDT must have provided DRS with two business days notice that it has received an offer it intends to accept and for not less than two business days following receipt by DRS of such notice IDT must negotiate in good faith with DRS to revise the merger agreement so that the superior proposal is no longer such. If such negotiations fail, IDT can terminate the merger agreement and pay DRS a \$12.5 million termination fee if it elects to enter into a transaction that is a superior proposal. See " Termination."

The merger agreement defines a "superior proposal" as a proposal to acquire all of IDT's stock or all or substantially all of IDT's assets that the IDT board of directors determines in good faith, after consulting with its financial advisor, is more favorable to IDT and its stockholders from a financial point of view than the merger taking into account the ability of the person making the proposal to complete the transaction.

IDT is required to promptly advise DRS if it receives any alternative proposal. IDT is obligated to keep DRS informed of all material developments affecting the status and terms of any takeover proposals or the status of any such discussions or negotiations. In addition, the merger agreement does not prohibit IDT from complying with Rule 14e-2(a) or Item 1012(a) of Regulation M-A promulgated pursuant to the Securities Exchange Act of 1934.

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*Employee Matters.* For at least one year following the effective time of the merger, DRS will provide, or cause the surviving corporation to provide, IDT employees with benefits that are similar, in the aggregate, to those provided by IDT prior to the effective time of the merger. DRS will also provide IDT employees with credit for their service with IDT for purposes of eligibility and vesting under employee benefit plans maintained by DRS (except as would result in a duplication of benefits or cause DRS to pay for benefits that relate to periods prior to the effective time of the merger). DRS will waive any waiting periods or limitations for pre-existing conditions under its employee benefit plans and ensure that employees are given credit for any amounts paid on or prior to the effective time of the merger toward deductibles, coinsurance and out-of-pocket limits. IDT will terminate all of its 401(k) plans at least one day before the effective time of the merger.

*Directors' and Officers' Insurance; Indemnification.* The merger agreement provides that, following the effective time of the merger, DRS and the surviving corporation will, as permitted by law, indemnify persons who were IDT directors or officers before the merger and who suffer liabilities or losses from any claim, proceeding, action, suit or investigation arising out of or pertaining to the fact that the person was an IDT director or officer and pertaining to matters existing or occurring prior to the effective time of the merger. Following the effective time of the merger, the surviving corporation's certificate of incorporation and bylaws will contain exculpation, indemnification and expense advancement provisions relating to current and former directors and officers no less favorable than those set forth in IDT's current certificate of incorporation and bylaws and such provisions will not be amended, repealed or otherwise modified in any manner that would adversely affect the rights of those individuals. The merger agreement further requires that, for a minimum of six years following the effective time of the merger, subject to certain limitations, the surviving corporation maintain coverage under a director and officer liability insurance policy at a level at least equal to that which IDT is maintaining for its officers and directors prior to the merger.

*Further Action.* Each of the parties to the merger agreement has agreed to perform such further acts and execute those documents that may be reasonably required for the merger. Specifically, DRS and IDT have agreed to provide all necessary information and to make all filings required by governmental entities, including pursuant to the Hart-Scott-Rodino Antitrust Improvements Act. The applicable waiting period under the Hart-Scott-Rodino Act expired on September 25, 2003.

*NYSE Listing.* DRS has agreed to have the shares of DRS common stock to be issued in connection with the merger approved for listing on the NYSE. The NYSE approved the listing of such shares on October 3, 2003, subject to official notice of issuance.

*Payment of Bank Debt.* At the closing, DRS will cause to be paid all amounts due and payable under IDT's credit agreement of October 31, 2002 and the loan documents referred to in the credit agreement and will cause the termination of such credit agreement.

*Board Seat.* DRS shall use its reasonable efforts to cause Robert B. McKeon, to be elected to its board of directors as a Class I director as of the effective time of the merger. From and after the closing of the transaction until such time as Mr. McKeon and certain entities associated with him beneficially own less than 3% of the issued and outstanding shares of DRS common stock, DRS shall use its reasonable efforts to cause Mr. McKeon to be renominated as a director for election at each annual meeting of DRS's stockholders at which the Class I directors of DRS stand for election.

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*DRS Financing.* DRS and Merger Sub must use their reasonable commercial efforts to obtain the financing required for the consummation of the merger and to satisfy all conditions to funding.

DRS intends to finance the merger using a portion of available cash on hand, bank borrowings utilizing a proposed amended and restated credit facility (to be entered into concurrently with the closing of the merger) of \$512 million (which amount shall be increased to the extent that the senior subordinated notes offering (or bridge financing) generates less than \$200 million) with Wachovia Bank

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and Bear Stearns and through the issuance of senior subordinated notes in an aggregate principal amount of \$200 million. If DRS is unable to consummate the offering of senior subordinated notes prior to the closing of the merger, DRS has obtained a commitment letter which provides for a senior subordinated bridge facility of at least \$125 million for which Bear Stearns and Wachovia Bank will act as advisors. The bridge facility includes the right to exchange the facility for senior subordinated exchange notes. See "The Merger DRS Financing" on page 40.

To the extent that any portion of the financing contemplated by the commitment letter obtained by DRS becomes unavailable or DRS determines to obtain alternative financing for the merger, DRS and Merger Sub must use their reasonable commercial efforts to arrange for alternative financing for the merger. IDT must use reasonable efforts to provide DRS with such information, including financial statement information and access to IDT's independent accountants, regarding IDT as may be reasonably requested by DRS in connection with its financing of the transactions contemplated by the merger agreement and to assist DRS in any reasonable way to arrange the financing.

DRS may terminate the merger agreement if funding to consummate the merger pursuant to financing arrangements reasonably acceptable to DRS shall not have become available. However, DRS will not have such termination right if the failure to fulfill its obligations under the merger agreement to obtain such financing is the cause of such financing not becoming available.

### **Regulatory Approvals**

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules of the Federal Trade Commission, the merger may not be consummated until notifications have been given and certain information has been furnished to the FTC and the Antitrust Division of the United States Department of Justice and specified waiting period requirements have been satisfied. DRS and IDT each filed notification and report forms with the FTC and the Department of Justice on August 26, 2003. The applicable waiting period under the Hart-Scott-Rodino Act expired on September 25, 2003.

### **Conditions to the Merger**

*Conditions to Each Party's Obligation to Effect the Merger.* The obligations of DRS and IDT to complete the merger are conditioned on the following conditions being fulfilled:

The termination or expiration of the waiting periods or completion of review pursuant to the Hart-Scott-Rodino Antitrust Improvements Act and the lack of action by the Department of Justice or Federal Trade Commission challenging or seeking to enjoin the merger (See " Regulatory Approvals"). The applicable waiting period under the Hart-Scott-Rodino Act expired on September 25, 2003.

The adoption of the merger agreement and the approval of the merger by IDT's stockholders.

The continuing effectiveness of the registration statement, of which this proxy statement/prospectus forms a part.

The shares to be issued in connection with the merger having been approved for listing on the NYSE. The NYSE approved the listing of such shares on October 3, 2003, subject to official notice of issuance.

The absence of any injunction, judgment or other order, or any law, which prohibits or has the effect of prohibiting the merger or makes the merger illegal.

The receipt of all other required approvals, consents, orders or waivers.

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*Conditions to Obligation of IDT to Effect the Merger.* The obligation of IDT to complete the merger depends on the following additional conditions being fulfilled:

the representations and warranties of DRS and Merger Sub shall be true and correct in all material respects except as would not, in the aggregate, result in a material adverse effect on IDT; and

DRS and Merger Sub shall have performed in all material respects all of their obligations in the merger agreement.

*Conditions to Obligations of DRS and Merger Sub to Effect the Merger.* The obligations of DRS and Merger Sub to complete the merger depend upon the following additional conditions being fulfilled:

the representations and warranties of IDT shall be true and correct in all material respects except as would not, in the aggregate, result in a material adverse effect on IDT;

IDT and its subsidiaries shall have performed in all material respects all of their obligations in the merger agreement;

there shall have been no event, development or state of fact that results in or would reasonably be expected to result in a material adverse effect on IDT; and

IDT shall have obtained all necessary consents with respect to its material contracts except where the failure to obtain any such consent would not reasonably be expected to result in a material adverse effect on IDT.

#### **Termination**

The merger agreement may be terminated and the merger may be abandoned at any time prior to the completion of the merger:

by mutual written consent of DRS and IDT;

by either DRS or IDT if:

there is any statute, law, rule or regulation that would make the merger illegal or prohibited, or if any United States governmental authority or any other government authority has issued an order, decree or ruling or taken another action permanently restraining, enjoining or otherwise prohibiting the offer or the merger that has become final and non-appealable;

the merger is not consummated on or before December 15, 2003, unless the party seeking to terminate the merger agreement has caused the failure of the merger to be consummated by failing to perform any of its obligations under the merger agreement;

the IDT board of directors authorizes IDT to enter into an agreement with respect to a superior proposal;



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the party seeking termination is not in material breach of the merger agreement and the other party has materially breached a representation, warranty, covenant or agreement of that party contained in the merger agreement and such breach is either not capable of being cured or, with respect to a covenant or agreement that is capable of being cured, has not been cured or satisfied within 15 days of notice of the breach; or

the IDT stockholders do not adopt the merger agreement and approve the merger (unless such party seeking termination was the cause of the IDT stockholders' failure to adopt and approve);

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by IDT, prior to approval by IDT's stockholders, if IDT enters into an acquisition agreement with a third party with respect to a superior proposal, provided that prior to terminating the merger agreement IDT is required to negotiate in good faith with DRS for at least two business days to change the terms of the merger so that such alternative transaction is not a superior proposal;

by DRS, if the IDT board of directors fails to recommend, withdraws, changes or modifies its recommendation to the stockholders of IDT in a manner adverse to DRS or recommends a third party's takeover proposal. See "Covenants No Solicitation and Alternative Proposals;"

by DRS if funding to consummate the merger pursuant to financing arrangements reasonably acceptable to DRS shall not have become available, provided that DRS will not have such termination right if the failure to fulfill its obligations under the merger agreement to obtain such financing is the cause of such financing not becoming available; or

by DRS, if there is any injunction, judgment, ruling or decree by the United States that substantially interferes with the merger, imposes limitations on the ability of DRS or Merger Sub to acquire or hold (or requires DRS, Merger Sub or IDT to dispose or hold separate) any material portion of the assets or the business of DRS, Merger Sub or IDT, or materially limits business activity by DRS or Merger Sub.

### **Effect of Termination**

If the merger agreement is terminated as described above, the agreement will be null and void, and there will be no liability of any party or its officers and directors except as to confidentiality, public announcements, fees and expenses, including the termination fee and expense reimbursement described in the following section, and breaches of the merger agreement.

### **Fees**

IDT is required to pay DRS a termination fee of \$12.5 million if:

either DRS or IDT terminates the merger agreement because the closing of the merger does not occur by December 15, 2003, an alternative proposal with respect to IDT shall have been announced prior to such termination and any merger or extraordinary transaction is consummated by IDT within six months following such termination;

DRS or IDT terminates the merger agreement because IDT's board of directors authorizes IDT to enter into a definitive acquisition agreement with respect to a superior proposal; or

DRS terminates the merger agreement because IDT's board of directors fails to recommend, or withdraws its approval or recommendation of the merger or modifies its recommendation of the merger, in a manner adverse to DRS or Merger Sub or fails to recommend against the acceptance of any tender or exchange offer that constitutes an alternative proposal or resolves to do any of the foregoing.

DRS shall pay IDT liquidated damages of \$17.5 million if DRS terminates the merger agreement because funding to consummate the merger pursuant to financing arrangements reasonably acceptable to DRS shall not have become available. However, DRS will not have such termination right if the failure to fulfill its obligations under the merger agreement to obtain such financing is the cause of such financing not becoming available.

### **Amendment and Waiver**

*Amendment.* The merger agreement may be amended by the written agreement of IDT and DRS at any time prior to the effective time of the merger, whether before or after the adoption of the merger agreement by IDT's stockholders. However, following such adoption, no amendment of the merger agreement shall be made which requires further approval of IDT's stockholders without such further approval.

*Waiver.* At any time prior to the effective time of the merger, DRS or IDT may:

extend the time of performance of any of the obligations or other acts of the other parties pursuant to the merger agreement;

waive any inaccuracies in the representations and warranties contained in the merger agreement or in any document delivered pursuant to the merger agreement; or

waive compliance with any of the agreements or conditions contained in the merger agreement which may be legally waived.

Any extension or waiver will be valid only if set forth in writing and signed by the party granting the waiver.

### **OTHER AGREEMENTS**

The following are summaries of selected provisions of the voting agreement and the standstill agreement. These summaries are incorporated in their entirety by reference to the voting agreement and the standstill agreement, which are each incorporated by reference in their entirety and attached to this proxy statement/prospectus as Annex B and Annex C, respectively. We urge you to read these agreements in their entirety.

#### **Voting Agreement**

Contemporaneously with the merger agreement, DRS entered into a voting agreement with the Veritas stockholders. All of the shares of IDT common stock beneficially owned by the Veritas stockholders are subject to the voting agreement. As of the record date for IDT's special meeting, the Veritas stockholders beneficially owned 11,750,992 shares of IDT common stock, representing approximately 55.1% of the outstanding shares of IDT.

#### *Agreement to Vote and Irrevocable Proxy*

The Veritas stockholders who have entered into the voting agreement have agreed to vote at any meeting of IDT stockholders as follows:

in favor of the adoption the merger agreement and approval of the merger;

against any action that would result in a breach of any obligation of IDT under the merger agreement or of the Veritas stockholders under the voting agreement; and

except with the prior written consent of DRS, against:

any "alternative proposal" (as defined in the merger agreement);

any change in the board of directors of IDT;

any material change in the present capitalization of IDT or any amendment of IDT's certificate of incorporation or bylaws;

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any other material change in IDT's corporate structure or business; and

any other action or proposal that is intended, or would reasonably be expected, to adversely affect the transactions contemplated by the merger agreement.

In addition, the Veritas stockholders have granted to DRS an irrevocable proxy to vote their shares of IDT common stock in favor of the merger and related transactions.

*Standstill and No-Solicitation*

The Veritas stockholders also agreed not to:

sell, transfer, tender, pledge, encumber, assign or otherwise dispose of any of their IDT shares;

acquire by purchase or otherwise any securities or assets of IDT;

solicit any proxies to vote or seek to influence any person with respect to the voting of any voting securities of IDT (other than in favor of the adoption of the merger agreement and approval of the merger);

submit to IDT any stockholder proposals;

make any public announcement with respect to, or submit a proposal for, or offer of any extraordinary transaction involving IDT or its securities or assets;

otherwise take any actions which could reasonably be expected to have the effect of adversely affecting the consummation of the merger or the Veritas stockholders' ability to perform their obligations under the voting agreement; or

solicit or knowingly encourage any "alternative proposal" (as defined in the merger agreement).

However, in connection with any alternative proposal, the Veritas stockholders may provide information and engage in discussions with the proposing party to the same extent as IDT is permitted to engage in discussions and provide information pursuant to the merger agreement. In this case, the Veritas stockholders must give DRS a copy of any information provided with respect to such acquisition proposal if they have not previously done so.

The Veritas stockholders must promptly advise DRS of any request for information or the submission or receipt of any alternative proposal, or any inquiry with respect to or which could lead to any alternative proposal, the material terms of such proposal and the identity of the

proposing party and keep DRS fully informed on the status and details of the proposal, to the extent the stockholders have knowledge of such proposal. The Veritas stockholders shall promptly provide to DRS copies of all written correspondence or other written material, including material in electronic form, between the Veritas stockholders and any person making any such request, alternative proposal or inquiry.

Each person who is an employee, officer, director or other representative of both IDT and any Veritas stockholder may take any action with respect to any acquisition proposal solely in its capacity as employee, officer, director or other representative of IDT that such person would otherwise be permitted to take in the absence of such provisions of the voting agreement.

*Expiration*

The voting agreement will expire upon the earliest of (i) termination of the voting agreement by mutual written consent of the parties, (ii) consummation of the merger, or (iii) termination of the merger agreement.

**Standstill Agreement**

In addition to the voting agreement, upon signing of the merger agreement, DRS entered into a standstill agreement with the Veritas stockholders and Robert B. McKeon, the president of Veritas Capital Management, L.L.C. and chairman of IDT, with respect to shares of DRS common stock. As a result of IDT Holding L.L.C.'s expected pro rata distribution of its right to receive the merger consideration to its holders of membership interests prior to the merger, the Veritas stockholders are expected to beneficially own between 7.2% and 7.7% of DRS's outstanding shares following the merger.

*Standstill*

In the standstill agreement, the Veritas stockholders have agreed not to do any of the following:

unless otherwise agreed to by DRS's board of directors, acquire by purchase or otherwise any securities or assets of DRS (other than stock options acquired by Robert B. McKeon in compensation for his services as a director of DRS);

solicit any proxies to vote or seek to influence any person with respect to the voting of any voting securities of DRS (other than in favor of the merger and the merger agreement);

submit to DRS any stockholder proposals;

make any public announcement with respect to, or submit a proposal for, or offer of any extraordinary transaction involving DRS or its securities or assets;

otherwise take any actions which could reasonably be expected to have the effect of adversely affecting the consummation of the merger or the Veritas stockholders' ability to perform their obligations under the standstill agreement; or

knowingly sell their shares of DRS common stock to any person who is or would after such purchase be deemed to beneficially own 5% or more of DRS common stock.

*Expiration*

The standstill agreement will expire on the earliest of (i) termination by mutual written consent of the parties, (ii) August 15, 2010, or (iii) the termination of the merger agreement.

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DRS and IDT are both organized under the laws of the State of Delaware. Any differences, therefore, in the rights of holders of DRS common stock and IDT common stock will arise from differences in their certificates of incorporation and bylaws and, in the case of IDT, from the existence of a stockholders' rights plan. Under the terms of the merger agreement, IDT stockholders will be entitled to receive cash and DRS common stock pursuant to the merger. At the effective time of the merger, the rights of IDT stockholders will be governed by Delaware law, DRS's certificate of incorporation and DRS's bylaws. The following is a summary of the material differences between the current rights of IDT stockholders and the rights of DRS stockholders.

The following discussion is not intended to be complete and is qualified in its entirety by reference to IDT's certificate of incorporation, IDT's bylaws, IDT's rights plan, DRS's certificate of incorporation, DRS's bylaws and applicable provisions of Delaware law. In addition, the identification of some of the differences in the rights of these stockholders as material is not intended to indicate that other differences that are equally important do not exist. We urge you to read carefully the relevant provisions of Delaware law, as well as the full text of the certificates of incorporation and

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bylaws of DRS and IDT and IDT's rights plan. Copies of these documents are incorporated by reference into this document and will be sent to you upon request. See "Where You Can Find More Information."

### **Authorized Capital Stock**

*IDT.* The authorized capital stock of IDT consists of:

200,000,000 shares of common stock, par value \$0.01 per share, of which, on September 10, 2003, 21,327,931 shares were issued and outstanding; and

20,000,000 shares of preferred stock, par value \$0.01 per share, of which no shares are issued and outstanding.

*DRS.* The authorized capital stock of DRS consists of:

30,000,000 shares of common stock, par value \$0.01 per share, of which, on September 8, 2003, 22,472,348 shares of common stock were issued and outstanding. Except for 2,655,724 outstanding options, there are no existing or outstanding options, warrants, calls, subscriptions, convertible securities, "phantom" stock rights, SARs, stock-based performance units or other rights, agreements or commitments of any kind to which is a party or which obligate DRS to issue, transfer or sell or cause to be issued, transferred or sold, additional shares of capital stock or other voting securities or ownership interests of DRS; and

2,000,000 shares of preferred stock, par value \$10.00 per share, of which no shares are outstanding.

### **Board of Directors**

*IDT.* The board of directors of IDT currently has 10 directors. IDT's bylaws provide that the number of directors may be increased to 21 or decreased to three by amendment of the bylaws.

IDT's certificate of incorporation provides for three classes of directors, with each class elected for a term of three years and consisting as nearly as possible of one third of the total number of directors on the IDT board. At each annual meeting of stockholders, one class of directors is elected for a three-year term. Classification of directors has the effect of making it more difficult for stockholders to change the composition of the IDT board. IDT's certificate of incorporation provides that directors shall be elected by a plurality of the votes cast at a meeting of stockholders. A quorum at any meeting of the IDT board consists of a majority of the total number of IDT directors, and a majority of directors present at a meeting at which a quorum is present is required to approve an action of the IDT board.

*DRS.* The board of directors of DRS currently has 10 directors. DRS's bylaws provide that the number of directors shall be fixed from time to time by the DRS board but shall not be less than seven nor more than 11.

DRS's certificate of incorporation and bylaws provide for three classes of directors, with each class elected for a term of three years and consisting as nearly as possible of one third of the total number of directors on the DRS board. At each annual meeting of stockholders, one class of directors is elected for a three-year term, with the members of each class to hold office until their successors are elected and qualified. DRS's bylaws provide that directors shall be elected by a plurality of the votes cast at a meeting of stockholders. A quorum at any meeting of the DRS board consists of a majority of the total number of DRS directors, provided that such majority shall constitute at least one-third of the whole board and the act of a majority of such quorum shall be deemed the act of the DRS board.

### **Committees of the Board of Directors**

*IDT.* IDT's bylaws permit the IDT board to create such committees as the board deems advisable. IDT's bylaws specifically authorize the board to create an executive committee that may consist of one or more directors and will have and exercise all the authority of the board.

The IDT board currently has an executive committee, an audit committee, a compensation committee and a corporate governance and nominating committee.

*DRS.* DRS's bylaws permit the board to create committees, with each such committee consisting of at least two members who must be directors.

The DRS board currently has an audit committee, an executive compensation committee, a nominating and corporate governance committee and an ethics committee.

### **Newly Created Directorships and Vacancies**

*IDT.* IDT's certificate of incorporation and bylaws provide that any vacancy on the IDT board arising from death, resignation, removal, an increase in the number of directors or any other cause may be filled either at a meeting of the IDT stockholders by the stockholders entitled to vote on the election of directors or by a majority vote of the remaining directors, even if less than a quorum. Directors elected to fill a vacancy will hold office until the next annual meeting of the IDT stockholders.

*DRS.* DRS's certificate of incorporation provides that any vacancy on the DRS board may be filled by the vote of the majority of the remaining directors, regardless of any quorum requirements set forth in DRS's bylaws. DRS's certificate of incorporation provides that such director serve until the next annual meeting at which the directors of the class of directors (of which such director is a member) are to be elected, and until his or her successor is elected and qualified. DRS's certificate of incorporation further provides that newly created directorships may be filled by the DRS board.

### **Removal of Directors**

*IDT.* Both IDT's certificate of incorporation and bylaws provide that directors may be removed, with or without cause, by the affirmative vote of a majority of the votes only when Veritas Capital Management, L.L.C. beneficially owns at least 50 percent of the outstanding IDT voting stock. If at any time Veritas owns less than 50 percent of the outstanding IDT voting stock, directors may be removed, only with cause, by the affirmative vote of a majority of the then outstanding shares.

*DRS.* Neither DRS's certificate of incorporation nor DRS's bylaws contain provisions relating to the removal of directors. Therefore, under the Delaware law, directors of the DRS board may be removed only for cause by the vote of the holders of a majority of the outstanding shares of the DRS common stock.

### **Officers**

*IDT.* IDT's bylaws provide that IDT's officers will include a chairman of the board, a president, a chief executive officer, a chief financial officer and a secretary, and may also include vice presidents, assistant vice presidents and assistant secretaries. The IDT board may also elect or appoint other officers as it finds necessary. Any officer may be removed at any time by the IDT board, with or without cause.

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*DRS.* Pursuant to DRS's bylaws, DRS's officers consist of a president, a secretary and a treasurer, all as elected or appointed by the DRS board. The DRS board may also choose a chairman of the board, a vice chairman of the board and one or more vice presidents, assistant secretaries and assistant treasurers. The DRS board may also appoint and elect such other officers as are desired. Any officer may be removed at any time by the DRS board, with or without cause.

### Special Meetings of Stockholders

*IDT.* IDT's certificate of incorporation provides that special meetings of the stockholders may be called only by the IDT board, the chairman of the board, the chief executive officer, the president or, at any time when Veritas beneficially owns at least 50 percent of the outstanding IDT voting stock, by Veritas.

*DRS.* DRS's bylaws provide that a special meeting of the stockholders may be called by the DRS board or by any officer instructed by the DRS board to call the meeting.

### Quorum at Stockholder Meetings

*IDT.* IDT's bylaws provide that at any meeting of stockholders, shares representing a majority of the votes entitled to be cast and entitled to vote at the meeting, present in person or by proxy, will constitute a quorum. If a quorum is not present at a meeting, the chairman or the holder of shares representing the majority of shares cast on adjournment may adjourn the meeting until a quorum is present.

*DRS.* DRS's bylaws state that a quorum consists of a majority of the outstanding shares of DRS common stock, except when a vote requires more than a majority of the outstanding shares, in which case the holders of such portion must be present, either in person or by proxy. The stockholders may adjourn the meeting to some future time despite the absence of quorum.

### Stockholder Action by Written Consent

*IDT.* IDT's certificate of incorporation provides that only when Veritas beneficially owns at least 50 percent of the outstanding IDT voting stock, an action to be taken at a stockholders' meeting may be taken without a meeting and without prior notice if the action is taken by the written consent of stockholders who would be entitled to vote at a meeting of holders of outstanding shares and who have voting power to cast not less than the minimum votes that would be necessary take the action at a meeting at which all stockholders entitled to vote thereon were present and voted.

*DRS.* DRS's certificate of incorporation provides that any action required or permitted to be taken by the stockholders must be effected at a duly called annual or special meeting and may not be taken by written consent without such a meeting.

### Advance Notice of Stockholder Proposals for Stockholder Meetings

*IDT.* IDT's bylaws provide for advance notice procedures for the nomination of candidates for election as directors as well as for other stockholder-proposed business to be considered at stockholder meetings. IDT's bylaws provide that notice of director nominations and stockholder-proposed business

for the annual meeting generally must be received in writing by IDT not more than 150 days and not less than 120 days prior to the anniversary date of the previous annual meeting. With respect to stockholder nominations of candidates for election as directors, at a special meeting notice must be given no later than the close of business of the seventh day after notice of such meeting is first given to stockholders. At any time it beneficially owns a majority of the outstanding common stock of IDT, Veritas shall be timely with notice delivered to IDT if received (i) at any time before the annual meeting of IDT stockholders in the case of stockholder-proposed business and (ii) five days before the mailing of the proxy to stockholders in the case of a director nomination.

*DRS.* DRS's bylaws provide for advance notice procedures for the nomination of candidates for election as directors as well as for other stockholder-proposed business to be considered at stockholder meetings. Generally, notice of director nominations and stockholder-proposed business for the annual meeting must be received in writing by the secretary of DRS not more than 90 days and not less than 60 days prior to the annual meeting. With respect to stockholder nominations of candidates for election as directors at a special meeting, notice must be received in writing by the secretary of DRS, no later than the tenth day following the day notice of the meeting was mailed to the stockholders or public disclosure was first made, whichever is earlier.

### Amendment of Governing Documents

*IDT.* Amendment of provisions of the IDT certificate of incorporation that address (i) the board, (ii) calling a special meeting of the stockholders, (iii) amendment of the IDT bylaws and (iv) amendment of the certificate with respect to the foregoing subjects, generally will require an affirmative vote of the IDT board, as well as the affirmative vote of at least a majority of the then outstanding voting stock if Veritas beneficially owns at least 50 percent of the outstanding IDT voting stock or the affirmative vote of at least 80% of the then outstanding IDT voting stock if Veritas beneficially owns less than a majority of the then outstanding IDT voting stock. Amendments to any other provisions of the IDT certificate of incorporation generally require the affirmative vote of a majority of the then outstanding IDT voting stock. IDT's bylaws may be amended by the affirmative vote of the IDT board or, at any time that Veritas beneficially owns at least 50 percent of the outstanding IDT voting stock, the affirmative vote of a majority of the then outstanding IDT common stock. At all other times, IDT's bylaws may be amended by the affirmative vote of at least 80% the then outstanding IDT common stock.

*DRS.* DRS's certificate of incorporation provides it may be amended, altered or repealed pursuant to Delaware law. Under Delaware law, any amendment to DRS's certificate of incorporation must first be approved by DRS's board of directors and then be approved by a majority of all outstanding shares of DRS common stock. DRS's certificate of incorporation provides that the power to adopt, alter, or repeal DRS's bylaws shall be vested in the DRS board as well as the stockholders; stockholders may not make, adopt, alter, amend, change or repeal DRS's bylaws except upon the affirmative vote of not less than 66<sup>2</sup>/<sub>3</sub>% of the outstanding shares of DRS common stock.

### The Delaware Business Combination Statute

Section 203 of the General Corporation Law of the State of Delaware generally prohibits a business combination between a corporation and an "interested stockholder" for three years following the time that a person became an interested stockholder. An interested stockholder generally includes a person who beneficially owns 15% or more of the outstanding voting stock of the corporation. This provision does not apply in some circumstances, including if (i) the corporation's board of directors approved the transaction pursuant to which the stockholder became an interested stockholder or the business combination prior to the time the interested stockholder became an interested stockholder, (ii) as a result of the transaction pursuant to which the stockholder became an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the

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time the transaction commenced (excluding shares owned by persons who are both directors and officers and by certain employee stock plans), or (iii) the business combination is approved by the board of directors and the affirmative vote of 66<sup>2</sup>/<sub>3</sub>% of the outstanding voting stock of the disinterested stockholders at an annual or special meeting. These restrictions also will not apply to a corporation if, among other reasons, the corporation's certificate of incorporation or bylaws contain a provision expressly electing not to be governed by this section of Delaware law.

*IDT.* IDT's certificate of incorporation provides that Section 203 shall not apply to IDT until the first time both of the following occur:

Section 203 by its terms would, but for the provisions of IDT's certificate of incorporation, apply to IDT; and

any natural person who on the date of filing of the certificate of incorporation beneficially owns in excess of 20% of the common stock of IDT (together with such person affiliates and associates and entities controlled directly or indirectly by such person, and trusts, foundations or other non-profit organizations with which such person is associated or to which such person has contributed shares of IDT) ceases to beneficially own 20% or more of such common stock.

Therefore, the restrictions of Section 203 do not presently apply to IDT or its stockholders.

*DRS.* DRS's certificate of incorporation and bylaws do not contain any election with respect to Section 203. Therefore, the restrictions of Section 203 presently apply to DRS and its stockholders.

### Stockholder Rights Plan

*IDT.* On February 5, 2002, IDT entered into a rights agreement with The Bank of New York, as rights agent. A summary of the material provisions of the rights plan is set forth below. The summary does not include a complete description of all of the terms of the rights plan. We urge you to read carefully the IDT rights plan, a copy of which will be sent to you upon request. See "Where You Can Find More Information."



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The rights have certain anti-takeover effects and will cause substantial dilution to any person or group that attempts to acquire IDT without the approval of the IDT board. As a result, the overall effect of the rights may be to render more difficult or discourage any attempt to acquire IDT, even if that acquisition may be in the best interests of IDT's stockholders. Because IDT can redeem the rights or amend the rights agreement to make the provisions of the rights agreement inapplicable to a particular transaction, the rights will not interfere with a merger or other business combination approved by the IDT board. The IDT board has ten days from the announcement of the proposed acquisition to decide whether to redeem the rights or amend the rights agreement. In particular, in connection with the merger with DRS, the IDT board of directors adopted an amendment to the rights agreement that made the provisions of the rights agreement inapplicable to the transactions contemplated by the merger agreement.

The rights agreement excludes Veritas as well as transferees of at least 10% of IDT's then outstanding common stock from Veritas from being considered an acquiring person.

Under the rights agreement, one right is attached to each share of IDT common stock including all shares that are outstanding. Each right entitles the holder, in the circumstances described below, to purchase from IDT a unit consisting of one one-hundredth of a share of series A junior participating preferred stock, no par value per share, at an exercise price of \$20.00 per right, subject to adjustment in certain events.

In the event that a person acquires 10% or more of the shares of IDT common stock then outstanding, except pursuant to a tender offer or exchange offer for all the outstanding shares of IDT's common stock approved by the IDT board before the person acquires 10% or more of the shares of

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common stock then outstanding, each holder of a right other than that person and certain related parties, whose rights will automatically become null and void, will thereafter be entitled to receive, upon exercise of the right, a number of shares of common stock, or, in certain circumstances, cash, property or other securities of IDT, having a current market price averaged over the previous 30 consecutive trading days equal to two times the exercise price of the right.

If, at any time on or after a person acquires 10% or more of the shares of IDT common stock then outstanding, IDT effects a merger or other business combination in which it is not the surviving entity, or any shares of IDT common stock are changed into or exchanged for other securities, or 50% or more of its assets, cash flow or earning power is sold or transferred, then each holder of a right, except rights owned by any person who has acquired 10% or more of the shares of IDT common stock then outstanding or certain related parties, which will have become void as set forth above, will thereafter have the right to receive, upon exercise, a number of shares of common stock of the acquiring company having a fair market value equal to two times the exercise price of the right.

As noted above, the IDT board of directors adopted an amendment to the rights agreement that made the provisions of the rights agreement inapplicable to the transactions contemplated by the merger agreement.

*DRS.* DRS has not adopted a stockholder rights plan. However, the DRS board of directors may authorize the issuance of preferred stock in one or more series and may determine, with respect to any such series, the powers, preferences and rights of such series, and its qualifications, limitations and restrictions.

### DESCRIPTION OF DRS'S CAPITAL STOCK

Set forth below is a description of the DRS common stock. The following statements are brief summaries of, and are subject to the detailed provisions of, DRS's certificate of incorporation, DRS's bylaws and the relevant provisions of the Delaware corporate law.

#### General

DRS is authorized to issue 30,000,000 shares of common stock. As of September 8, 2003, DRS had 22,472,348 shares of common stock issued and had reserved 2,655,724 shares of common stock for issuance upon exercise of outstanding stock options.

Holders of DRS common stock are entitled to receive dividends in cash, property or shares of DRS's stock when, as and if, declared by the board of directors, out of funds legally available for their payment, subject to the rights of holders of any preferred stock then outstanding.

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Each holder of shares of DRS common stock is entitled to attend all special and annual meetings of DRS stockholders. The holders of DRS common stock have one vote per share with respect to matters submitted to a vote of the stockholders.

In the event of the voluntary or involuntary liquidation, dissolution or winding up of DRS, the holders of common stock will be entitled to share equally in any of DRS's assets available for distribution after the payment in full of all debts and distributions and after the holders of any series of outstanding preferred stock have received their liquidation preferences in full.

The issued and outstanding shares of DRS common stock are fully paid and nonassessable. Holders of shares of DRS common stock are not entitled to preemptive rights. Shares of DRS common stock are not convertible into shares of any other class of capital stock. If DRS merges or consolidates with or into another company and as a result DRS common stock is converted into or exchangeable for shares of stock, other securities or property (including cash), all holders of DRS common stock will be entitled to receive the same kind and amount of consideration per share of common stock.

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DRS's charter and bylaws provide:

that the DRS board of directors is divided into three classes: Class I directors, Class II directors and Class III directors, with each class consisting of as nearly an equal number of directors as possible. The members of one of the three classes of directors are elected each year; such directors hold office for three-year terms and until their successors are elected and qualified;

that vacancies on the DRS board of directors other than at the annual meeting may be filled by a vote of the remaining directors;

that special meetings of DRS stockholders generally may be called only by the board of directors or an officer instructed by the board of directors to call the meeting;

that action may be taken by stockholders only at annual or special meetings and not by written consent; and

that advance notice must be given to DRS for a stockholder to nominate directors for election at a stockholders' meeting.

Any of these provisions could delay, deter or prevent a tender offer for or attempted takeover of DRS. The DRS charter permits DRS to issue up to 2,000,000 shares of preferred stock with terms which may be set by the DRS board of directors. That preferred stock could have terms that could delay, deter or prevent a tender offer or takeover attempt of DRS.

### **Transfer Agent and Registrar**

Mellon Investor Services is the transfer agent and registrar for the DRS common stock.

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## **UNAUDITED PRO FORMA FINANCIAL INFORMATION**

### **Unaudited Pro Forma Condensed Combined Financial Statement Information**

The unaudited pro forma condensed combined financial statement information set forth below is presented to reflect the pro forma effects of the following transactions as if they occurred on the dates indicated as discussed below.

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- (i) The proposed merger of a wholly-owned subsidiary of DRS Technologies, Inc. ("DRS") into Integrated Defense Technologies, Inc. ("IDT") in a purchase business combination (the "Merger"). The Merger consideration per share of IDT common stock will be comprised of \$12.25 in cash and a fraction of one share of DRS common stock equal to \$5.25 divided by the lesser of (a) \$28.00 and (b) the greater of (1) the average NYSE closing price of DRS common stock for the ten trading day period ending with the second complete trading day prior to the closing of the Merger and (2) \$25.90. The total Merger consideration will be approximately \$261.3 million in cash and between 3,998,987 shares and 4,323,172 shares of DRS common stock, or an aggregate of approximately \$373.2 million based upon the assumption that the average price of DRS common stock during the ten day trading period, ending on the second complete trading day before the closing of the Merger, is between \$25.90 and \$28.00. The actual number of shares of DRS common stock to be issued and the value of such shares will not be determined until the second complete trading day before the closing. Therefore, the final purchase price may be greater than or less than \$373.2 million, with any difference resulting in more or less stock consideration. In addition, DRS will refinance approximately \$204.4 million of IDT's bank debt, which excludes \$0.2 million of IDT's capital leases, upon closing of the Merger and pay approximately \$5.0 million of Merger-related costs.
- (ii) The anticipated offering of \$200.0 million of senior subordinated notes (the "Notes"), and the anticipated concurrent amending and restating of DRS's existing \$338.6 million senior secured credit facility (original credit facility), whereby the overall facility will be increased to \$512 million (which amount shall be increased to the extent that the senior subordinated notes offering (or bridge financing) generates less than \$200 million). The amended and restated credit facility will consist of a term loan of \$362 million (which amount shall be increased to the extent that the senior subordinated notes offering (or bridge financing) generates less than \$200 million) and a \$150.0 million revolving line of credit. DRS intends to use the proceeds from the sale of the Notes, together with initial borrowings under its amended and restated senior secured credit facility and excess cash on hand, to fund the Merger, to repay certain of DRS's and IDT's outstanding indebtedness and to pay \$15.0 million of certain financing and Merger-related costs.
- (iii) IDT's November 1, 2002 acquisition of BAE Systems Aerospace Electronics Gaithersburg Operation ("BAE Aerospace Electronics"), a division of BAE Systems Aerospace Electronics, Inc., in a purchase business combination and related financing. BAE Aerospace Electronics was renamed to Signia-IDT, Inc. subsequent to the acquisition.
- (iv) DRS's fiscal 2003 acquisitions of: (1) the Navy Controls Division of Eaton Corporation (NCD), (2) Paravant Inc., and its related financing, (3) the Electromagnetics Development Center of Kaman Corporation, and (4) Power Technology Incorporated (collectively referred to as the "Fiscal 2003 Acquisitions").

The unaudited pro forma condensed combined statement of earnings for the year ended March 31, 2003 combines the historical consolidated statement of earnings of DRS for the fiscal year ended March 31, 2003, incorporated by reference in this proxy statement/prospectus, with the historical consolidated statement of operations of IDT for the year ended December 31, 2002, incorporated by reference in this proxy statement/prospectus, and gives effect to the unaudited pro forma adjustments necessary to account for the Merger and other transactions described above. The unaudited pro forma condensed combined statement of earnings for the three months ended June 30, 2003 combines the

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historical unaudited consolidated statement of earnings of DRS for the three months ended June 30, 2003, incorporated by reference in this proxy statement/prospectus, with the historical unaudited consolidated statement of operations of IDT for the three months ended June 27, 2003, incorporated by reference in this proxy statement/prospectus, and gives effect to the unaudited pro forma adjustments necessary to account for the Merger and other transactions described above. The unaudited pro forma condensed combined statement of earnings for the three months ended June 30, 2002 combines the historical unaudited consolidated statement of earnings of DRS for the three months ended June 30, 2002, which is incorporated by reference in this proxy statement/prospectus, with the historical unaudited consolidated statement of operations of IDT for the three months ended June 30, 2002, which is incorporated by reference in this proxy statement/prospectus, and gives effect to the unaudited pro forma adjustments necessary to account for the Merger and other transactions described above.

DRS has presented the pro forma effect of IDT's November 1, 2002 acquisition of BAE Aerospace Electronics in IDT's pro forma results of operations for the year ended December 31, 2002 and the three months ended June 30, 2002. In addition, DRS elected to present the pro forma effect of the Fiscal 2003 Acquisitions in the unaudited pro forma condensed combined statement of earnings for the year ended March 31, 2003

and the three months ended June 30, 2002. The additional pro forma information regarding the Fiscal 2003 Acquisitions, although not required by the Securities and Exchange Commission's Rules and Regulations governing pro forma information in this proxy statement/prospectus, is included herein as DRS believes that it is informative to IDT stockholders and to investors generally. During fiscal 2003, DRS completed two additional acquisitions that are not included in the unaudited pro forma condensed combined statement of earnings for the year ended March 31, 2003 and the three months ended June 30, 2002, as DRS believes that they are immaterial to the overall pro forma presentation.

The results of operations of BAE Aerospace Electronics are included in IDT's operating results for the three months ended June 27, 2003 as that acquisition was completed during the year ended December 31, 2002. The results of operations of the Fiscal 2003 Acquisitions are included in DRS's operating results for the three months ended June 30, 2003, as those acquisitions were completed during the year ended March 31, 2003.

The unaudited pro forma condensed combined balance sheet has been prepared as if the Merger and related financing described above had occurred on June 30, 2003. The unaudited pro forma condensed combined balance sheet as of June 30, 2003 combines the historical unaudited consolidated balance sheet of DRS as of June 30, 2003, incorporated by reference in this proxy statement/prospectus, with the historical unaudited consolidated balance sheet of IDT as of June 27, 2003, incorporated by reference in this proxy statement/prospectus, and gives effect to the unaudited pro forma adjustments necessary to account for the Merger and related financings.

The Merger will be accounted for under the purchase method of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, IDT's operating results will be included in DRS's operating results upon closing of the transaction. The Fiscal 2003 Acquisitions and IDT's acquisition of BAE Aerospace Electronics were also accounted for under the purchase method of accounting and are included in the historical consolidated results of operations of DRS and IDT, respectively, from their effective dates.

The pro forma adjustments related to the Merger are based on preliminary purchase price allocations. Actual adjustments will be based on analyses of fair values of acquired contracts, identifiable tangible and intangible assets, pensions and deferred tax assets and liabilities, and estimates of the useful lives of tangible and amortizable intangible assets, which will be completed after DRS obtains third-party appraisals, performs its own internal assessments and reviews all available data. Differences between the preliminary and final purchase price allocations could have a significant impact on the accompanying unaudited pro forma condensed combined financial statement information and DRS's future results of operations and financial position.

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The unaudited pro forma condensed combined financial statement information is based on, and should be read together with (i) DRS's historical consolidated financial statements as of and for the year ended March 31, 2003, and DRS's unaudited consolidated financial statements as of June 30, 2003 and for the three-month periods ended June 30, 2003 and 2002, incorporated by reference in this proxy statement/prospectus; and (ii) IDT's historical consolidated financial statements as of and for the year ended December 31, 2002, and IDT's unaudited consolidated financial statements as of June 27, 2003 and for the three and six months ended June 27, 2003 and June 30, 2002, incorporated by reference in this proxy statement/prospectus. The historical statement of earnings data for BAE Aerospace Electronics and the Fiscal 2003 Acquisitions are based on unaudited financial statement data not included or incorporated by reference herein. The unaudited pro forma condensed combined financial statement information is presented for illustrative purposes only and are not necessarily indicative of the operating results that would have been achieved had the Merger, IDT's acquisition of BAE Aerospace Electronics, the Fiscal 2003 Acquisitions, the offering of the Notes and amending and restating DRS's credit facility been completed as of April 1, 2002 or of the results of operations that may be attained by DRS in the future.

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**DRS TECHNOLOGIES, INC.  
UNAUDITED PRO FORMA  
CONDENSED COMBINED STATEMENT OF EARNINGS**

**Year Ended March 31, 2003  
(in thousands, except per share data)**

**Fiscal 2003 Acquisitions (4)**

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Fiscal 2003 Acquisitions (4)

	Historical DRS (1)	Pro Forma IDT (2)	Merger Adjustments	Merger Pro Forma	Fiscal 2003 Acquisitions (4)			PTI Pro Forma	Fiscal 2003 Acquisitions Adjustments	Fiscal 2003 Acquisitions Pro Forma	DRS Pro Forma
					NCD	Paravant	EDC				
Revenues	\$ 675,762	\$ 364,105	\$ (21,000)(5)	\$ 1,018,867	\$ 21,583	\$ 47,994	\$ 9,155	\$ 12,152	\$	\$ 90,884	\$ 1,109,751
Costs and expenses	608,078	331,227	(12,310)(5)	926,995	21,608	40,979	6,341	10,076	535(8)	79,539	1,006,534
Operating income (loss)	67,684	32,878	(8,690)	91,872	(25)	7,015	2,814	2,076	(535)	11,345	103,217
Interest and related expenses	10,589	15,232	13,097(6)	38,918		493			2,345(7)	2,838	41,756
Other income (expense)	355	(110)		245		(150)	(356)	26		(480)	(235)
Write-off refinancing costs		25,748		25,748							25,748
Earnings (losses) before minority interest and income taxes	57,450	(8,212)	(21,787)	27,451	(25)	6,372	2,458	2,102	(2,880)	8,027	35,478
Minority interest	1,578			1,578							1,578
Earnings (losses) before income taxes	55,872	(8,212)	(21,787)	25,873	(25)	6,372	2,458	2,102	(2,880)	8,027	33,900
Income tax expense (benefit)	25,701	(4,039)	(9,151)(9)	12,511		2,490		(25)	719(9)	3,184	15,695
Net earnings (losses)	\$ 30,171	\$ (4,173)	\$ (12,636)	\$ 13,362	\$ (25)	\$ 3,882	\$ 2,458	\$ 2,127	\$ (3,599)	\$ 4,843	\$ 18,205
Earnings per share of common stock:											
Basic earnings per share	\$ 1.64										\$ 0.80
Diluted earnings per share	\$ 1.58										\$ 0.78
Weighted average number of shares of common stock outstanding:											
Basic	18,411		4,323(10)	22,734							22,734
Diluted	19,073		4,323(10)	23,396							23,396

See accompanying notes to Unaudited Pro Forma Condensed Combined Financial Statement Information

DRS TECHNOLOGIES, INC.  
UNAUDITED PRO FORMA  
CONDENSED COMBINED STATEMENT OF EARNINGS

Three Months Ended June 30, 2003  
(in thousands, except per share data)

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	Historical DRS(1)	Historical IDT(3)	Merger Adjustments	Merger Pro Forma
Revenues	\$ 167,198	\$ 93,418	\$ (5)	\$ 260,616
Costs and expenses	150,838	83,555	320 (5)	234,713
Operating income (loss)	16,360	9,863	(320)	25,903
Interest and related expenses	3,029	3,001	3,273 (6)	9,303
Other (expense) income	(64)	185		121
Earnings (losses) before minority interest and income taxes	13,267	7,047	(3,593)	16,721
Minority interest	239			239
Earnings (losses) before income taxes	13,028	7,047	(3,593)	16,482
Income tax expense (benefit)	5,732	2,572	(1,509)(9)	6,795
Net earnings (losses)	\$ 7,296	\$ 4,475	\$ (2,084)	\$ 9,687
Earnings per share of common stock:				
Basic earnings per share	\$ 0.33			\$ 0.36
Diluted earnings per share	\$ 0.32			\$ 0.36

Weighted average number of shares of common stock outstanding:

Basic	22,438	4,323 (10)	26,761
Diluted	22,949	4,323 (10)	27,272

See accompanying notes to Unaudited Pro Forma Condensed Combined Financial Statement Information

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**DRS TECHNOLOGIES, INC.**  
**UNAUDITED PRO FORMA**  
**CONDENSED COMBINED STATEMENT OF EARNINGS**  
**Three Months Ended June 30, 2002**  
**(in thousands, except per share data)**

	Historical DRS (1)	Pro Forma IDT (2)	Merger Adjustments	Merger Pro Forma	Fiscal 2003 Acquisitions (4)				Fiscal 2003 Acquisitions Adjustments	Fiscal 2003 Acquisitions Pro Forma	DRS Pro Forma
					NCD	Paravant	EDC	PTI			
Revenues	\$ 131,238	\$ 90,376	\$ (7,000)(5)	\$ 214,614	\$ 21,583	\$ 15,497	\$ 2,732	\$ 2,952	\$	\$ 42,764	\$ 257,378
Costs and expenses	118,565	80,417	(2,843)(5)	196,139	21,608	13,669	1,815	2,643	(427)(8)	39,308	235,447
Operating income (loss)	12,673	9,959	(4,157)	18,475	(25)	1,828	917	309	427	3,456	21,931
Interest and related expenses	2,283	3,116	3,273 (6)	8,672		187			881 (7)	1,068	9,740
Other (expense) income	(43)	134		91		(92)	(142)	9		(225)	(134)
Earnings (losses) before minority	10,347	6,977	(7,430)	9,894	(25)	1,549	775	318	(454)	2,163	12,057

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Fiscal 2003 Acquisitions (4)

interest and income taxes											
Minority interest	284		284						284		
Earnings (losses) before income taxes	10,063	6,977	(7,430)	9,610	(25)	1,549	775	318	(454)	2,163	11,773
Income tax expense (benefit)	4,629	2,369	(3,121)(9)	3,877		620		36	222 (9)	878	4,755
Net earnings (losses)	\$ 5,434	\$ 4,608	\$ (4,309)	\$ 5,733	\$ (25)	\$ 929	\$ 775	\$ 282	\$ (676)	\$ 1,285	\$ 7,018
Earnings per share of common stock:											
Basic earnings per share	\$ 0.32										\$ 0.33
Diluted earnings per share	\$ 0.31										\$ 0.32
Weighted average number of shares of common stock outstanding:											
Basic	16,843		4,323 (7)		21,166						21,166
Diluted	17,644		4,323 (7)		21,967						21,967

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DRS TECHNOLOGIES, INC.  
UNAUDITED PRO FORMA  
CONDENSED COMBINED BALANCE SHEET

As of June 30, 2003  
(in thousands)

	Historical		Merger Adjustments	DRS Pro Forma
	DRS (11)	IDT (12)		
<b>Assets</b>				
Current Assets:				
Cash and cash equivalents	\$ 90,431	\$ 14,233	\$ (93,300)(13)	\$ 11,364
Accounts receivable, net	135,826	133,687		269,513
Inventories, net of progress payments	137,449	21,996	(267)(5)	159,178
Prepaid expenses and other current assets	19,309	10,278	(155)(15)	29,432
Total current assets	383,015	180,194	(93,722)	469,487
Property, plant and equipment, net	87,440	62,333		149,773
Acquired intangible assets, net	46,817	54,764	(16)	101,581
Goodwill	433,940	142,124	214,043 (16)	790,107
Other assets	13,159	7,443	7,376 (14)	27,978
Total assets	\$ 964,371	\$ 446,858	\$ 127,697	\$ 1,538,926
<b>Liabilities and Stockholders' Equity</b>				
Current liabilities:				
Current installments long term debt	\$ 7,703	\$ 7,302	\$ 1,470 (6)	\$ 16,475
Short-term bank debt	789			789
Other current liabilities	262,032	58,706	(425)(15)	319,985
			(328)(6)	

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	Historical			
Total current liabilities	270,524	66,008	717	337,249
Long-term debt, excluding current installments	216,164	197,263	186,497 (6)	599,924
Other non-current liabilities	28,283	12,553		40,836
Total liabilities	514,971	275,824	187,214	978,009
<b>Commitments and contingencies</b>				
<b>Stockholders' equity:</b>				
Common stock	225	213	(213)(18) 43 (17)	268
Additional paid-in capital	344,240	170,955	(170,955)(18) 111,927 (17)	456,167
Retained earnings	101,823	5,710	(5,710)(18) (453)(6)	101,370
Accumulated other comprehensive earnings (losses)	3,112	(5,844)	5,844 (17)	3,112
Total stockholders' equity	449,400	171,034	(59,517)	560,917
Total liabilities and stockholders' equity	\$ 964,371	\$ 446,858	\$ 127,697	\$ 1,538,926

See accompanying notes to Unaudited Pro Forma Condensed Combined Financial Statement Information

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**DRS TECHNOLOGIES, INC.**  
**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED**  
**FINANCIAL STATEMENT INFORMATION**

1. The Historical DRS columns represent the consolidated statement of earnings of DRS for the fiscal year ended March 31, 2003, which is incorporated by reference in this proxy statement/prospectus, and the unaudited consolidated statements of earnings of DRS for the three-month periods ended June 30, 2003 and 2002, which are incorporated by reference in this proxy statement/prospectus.
2. The Pro Forma IDT column included in the unaudited pro forma condensed combined statement of earnings for the year ended March 31, 2003, represents the historical consolidated statement of operations of IDT for the year ended December 31, 2002, which is incorporated by reference in this proxy statement/prospectus, combined with the historical unaudited statement of income of BAE Aerospace Electronics for the ten months ended October 31, 2002, and certain pro forma adjustments to reflect IDT's acquisition of BAE Aerospace Electronics as if it occurred on January 1, 2002. IDT acquired BAE Aerospace Electronics effective November 1, 2002. The Pro Forma IDT column included in the unaudited pro forma condensed combined statement of earnings for the three months ended June 30, 2002, represents the historical consolidated statement of operations of IDT for the three months ended June 30, 2002, which is incorporated by reference in this proxy statement/prospectus, combined with the historical unaudited statement of income of BAE Aerospace Electronics for the three months ended June 30, 2002, and certain pro forma adjustments to reflect IDT's acquisition of BAE Aerospace Electronics as if it occurred on January 1, 2002. BAE Aerospace Electronics designs and manufactures high-performance radio frequency surveillance equipment used in communications intelligence and signal intelligence applications.

The following table provides a reconciliation of the amounts shown in the Pro Forma IDT column included in the unaudited pro forma condensed combined statement of earnings for the year ended March 31, 2003.

	Historical			
	IDT	BAE Aerospace Electronics	Pro Forma Adjustments	Pro Forma IDT



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Historical				
(in thousands)				
Revenues	\$ 304,361	\$ 59,744	\$ 3,295	\$ 364,105
Costs and expenses	277,612	50,320	3,295 (a)	331,227
Operating income (loss)	26,749	9,424	(3,295)	32,878
Interest and related expenses	8,270		6,962 (b)	15,232
Other income (expense)	84	(194)		(110)
Write off refinancing costs	25,748			25,748
(Losses) earnings before income taxes	(7,185)	9,230	(10,257)	(8,212)
Income tax (benefit) expense	(3,078)	3,347	(4,308)(c)	(4,039)
Net (losses) earnings	\$ (4,107)	\$ 5,883	\$ (5,949)	\$ (4,173)

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The following table provides a reconciliation of the amounts shown in the Pro Forma IDT column included in the unaudited pro forma condensed combined statement of earnings for the three months ended June 30, 2002.

Historical				
	IDT	BAE Aerospace Electronics	Pro Forma Adjustments	Pro Forma IDT
(in thousands)				
Revenues	\$ 72,099	\$ 18,277	\$ 988	\$ 90,376
Costs and expenses	64,234	15,195	988 (a)	80,417
Operating income (loss)	7,865	3,082	(988)	9,959
Interest and related expenses	1,027		2,089 (b)	3,116
Other income (expense)	231	(97)		134
Earnings (losses) before income taxes	7,069	2,985	(3,077)	6,977
Income tax expense (benefit)	2,579	1,082	(1,292)(c)	2,369
Net earnings (losses)	\$ 4,490	\$ 1,903	\$ (1,785)	\$ 4,608

(a)

The adjustments to costs and expenses are comprised of the following.

Year Ended December 31, 2002	Three Months Ended June 30, 2002
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	Year Ended December 31, 2002	Three Months Ended June 30, 2002
(in thousands)		
Acquired intangible amortization(i)	\$ 1,998	\$ 599
Retention bonuses(ii)	783	235
Depreciation(iii)	514	154
<b>Total</b>	<b>\$ 3,295</b>	<b>\$ 988</b>

- (i) As part of IDT's purchase accounting for the BAE Aerospace Electronics acquisition, IDT identified and recorded approximately \$56.3 million of intangible assets that had not been previously recorded by BAE Aerospace Electronics, including trade names and trademarks of \$1.6 million, patents and proprietary technology of \$13.8 million and customer relationships of \$40.9 million. These intangibles are being amortized over periods of ten, fifteen, and thirty-one years, respectively. These pro forma adjustments reflect the additional amortization expense that would have been incurred in the year ended December 31, 2002 and the three months ended June 30, 2002, had IDT's acquisition of BAE Aerospace Electronics occurred on January 1, 2002.
- (ii) Represents an adjustment for retention bonuses accrued for certain key employees of BAE Aerospace Electronics for the year ended December 31, 2002 and the three months ended June 30, 2002.
- (iii) As part of the purchase accounting related to IDT's acquisition of BAE Aerospace Electronics, an adjustment of \$6.8 million was made to increase the net book value of the acquired fixed assets to fair value, including a \$5.0, \$0.9, \$0.8 and \$0.1 million increase in the recorded value of BAE Aerospace Electronics buildings and improvements, machinery

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and equipment, land and office equipment, respectively. The estimated useful lives of the acquired depreciable fixed assets are as follows:

	Weighted Average Useful Life
	(years)
Buildings and improvements	27.00
Machinery and equipment	1.48
Office equipment	1.56

Excluding the fair value adjustment made to land, the pro forma adjustment to depreciation reflects the additional depreciation expense that would have been incurred for the year ended December 31, 2002 and the three months ended June 30, 2002, had these fair value adjustments been made on January 1, 2002.

- (b) This pro forma adjustment reflects the additional interest expense that would have been incurred for the year ended December 31, 2002 and the three months ended June 30, 2002, had the additional \$142.5 million of indebtedness incurred in connection with the acquisition of BAE Aerospace Electronics been outstanding since January 1, 2002. These adjustments assume an interest rate of three-month LIBOR plus 4%, estimated to be 5.86%. A 0.125% increase/decrease in the average prevailing interest rate on the \$142.5 million of additional debt would result in an increase/decrease in interest expense of approximately \$0.2 million and \$45 thousand for the year ended December 31, 2002 and the three months ended June 30, 2002, respectively.

- (c) The pro forma adjustment to income taxes includes the income tax effect on the pro forma adjustments related to IDT's acquisition of BAE Aerospace Electronics, using a statutory (federal and state) income tax rate of 42%.

3. The Historical IDT column included in the unaudited pro forma condensed combined statement of earnings for the three months ended June 30, 2003, represents the unaudited consolidated statement of operations of IDT for the three months ended June 27, 2003, which is incorporated by reference in this proxy statement/prospectus.
4. The following is a summary of the Fiscal 2003 Acquisitions and the historical periods that are included in the unaudited pro forma condensed combined statement of earnings for the fiscal year ended March 31, 2003.

***Navy Controls Division of Eaton Corporation***

Effective July 1, 2002, DRS acquired the assets and liabilities of the Navy Controls Division of Eaton Corporation ("NCD"). NCD is a supplier of high-performance power conversion, and instrumentation and control systems, primarily for the U.S. Navy. DRS financed the acquisition with existing cash on hand. The NCD columns included in the unaudited pro forma condensed combined statements of earnings for the year ended March 31, 2003 and the three months ended June 30, 2002, represent the unaudited historical results of operations of NCD for the three months ended June 30, 2002.

***Paravant Inc.***

On November 27, 2002, DRS acquired Paravant Inc. ("Paravant"). Paravant is a designer and manufacturer of highly engineered, technically advanced, defense electronics for U.S. and allied international military and intelligence agency applications. DRS financed the Paravant acquisition with \$75.0 million of term loan borrowings and \$7.0 million of existing cash on hand. Concurrent with the acquisition, DRS repaid \$12.0 million of outstanding debt of Paravant also with existing cash on hand.

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The unaudited pro forma condensed combined statement of earnings for the year ended March 31, 2003 includes the Paravant unaudited historical statement of operations for the period from April 1, 2002 to November 26, 2002. The unaudited pro forma condensed combined statement of earnings for the three months ended June 30, 2002 includes the Paravant unaudited historical statement of operations for the three months ended June 30, 2002.

***Electromagnetics Development Center of Kaman Corporation***

On January 15, 2003, DRS acquired the assets and liabilities of the Electromagnetics Development Center of Kaman Corporation ("EDC"). EDC develops high-performance, lightweight electric motors, generators and drive electronics for defense, industrial and transportation applications. DRS financed the acquisition with existing cash on hand. The EDC column included in the unaudited pro forma condensed combined statement of earnings for the year ended March 31, 2003 represents the unaudited historical results of operations of EDC for the nine months ended December 31, 2002. The period from January 1, 2003 to January 14, 2003 was excluded from EDC's historical results of operations, as the activity during such period is immaterial. The EDC column included in the unaudited pro forma condensed combined statement of earnings for the three months ended June 30, 2002 represents the unaudited historical results of operations of EDC for the three months ended June 30, 2002.

***Power Technology Incorporated***

On February 14, 2003, DRS acquired Power Technology Incorporated ("PTI"). PTI designs, develops, manufactures and provides life-cycle support for a wide variety of high-performance, complex power systems and rotating machinery. DRS financed the acquisition with existing cash on hand. The PTI Pro Forma column was derived by subtracting the unaudited operating results of PTI during the period owned by DRS (February 14, 2003 to March 31, 2003) from the unaudited historical statement of income and retained earnings of PTI for the year ended December 31, 2002. The unaudited historical statement of income and retained earnings of PTI for the year ended December 31, 2002 is permitted to be combined with the consolidated statement of earnings of DRS for the fiscal year ended March 31, 2003 for purposes of the unaudited pro forma condensed combined statement of earnings as the periods are within 93 days of each other. The operating results for the period beginning February 14, 2003 are eliminated because the unaudited pro forma condensed combined statement of earnings for the fiscal year ended March 31, 2003 cannot contain more than 12 months of operating results. The PTI column included in the unaudited pro forma

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condensed combined statement of earnings for the three months ended June 30, 2002 represents the unaudited historical results of operations of PTI for the three months ended June 30, 2002.

<b>Historical PTI</b>			
	(I)	(II)	(I)-(II)
	Year Ended December 31, 2002	February 14, 2003 through March 31, 2003	PTI Pro Forma
(in thousands)			
Revenues	\$ 14,036	\$ 1,884	\$ 12,152
Costs and expenses	11,714	1,638	10,076
Operating income (loss)	2,322	246	2,076
Other income	50	24	26
Earnings before income taxes	2,372	270	2,102
Income tax expense (benefit)	88	113	(25)
Net earnings	\$ 2,284	\$ 157	\$ 2,127

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5.

The following adjustments to revenues and costs and expenses are reflected in the Merger Adjustments columns in the unaudited pro forma condensed combined statements of earnings for the year ended March 31, 2003 and the three months ended June 30, 2003 and 2002.

<b>Increase (Decrease) to Revenues and Costs and Expenses</b>			
	Year Ended March 31, 2003	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002
(in thousands)			
Revenues(a)	\$ (21,000)	\$	\$ (7,000)
Costs and expenses			
Cost of sales IDT revenue adjustment(a)	\$ (13,700)	\$	\$ (3,900)
IDT retention bonuses(b)	3,282		1,641
General and administrative expenses(c)	(2,107)	267	(637)
Amortization of acquired intangible assets(d)	1,253	313	313
IDT management fee(e)	(900)	(225)	(225)
IDT board of director's fees(e)	(138)	(35)	(35)
Total adjustments to costs and expenses	\$ (12,310)	\$ 320	\$ (2,843)

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- (a) IDT recognizes revenues on certain contracts on a cost-to-cost percentage of completion basis. To be consistent with DRS accounting policies, revenue on some of these contracts would be recognized based on the units of delivery method. The adjustment to revenues and cost of sales for the year ended March 31, 2003 and the three months ended June 30, 2002 reflect the estimated pro forma impact on IDT's historical results of operations of applying DRS's revenue recognition policy. The pro forma impact of this adjustment for the three months ended June 30, 2003 was immaterial.
- (b) Represents an adjustment for the payment of retention bonuses to certain employees of IDT upon remaining with DRS for six months following the Merger.
- (c) IDT historically recognized general and administrative expenses as a period cost. To be consistent with DRS's accounting policy, the pro forma adjustments to costs and expenses reflect estimated amounts of general and administrative expenses capitalized into inventory for the year ended March 31, 2003 and the three month periods ended June 30, 2003 and 2002. The June 30, 2003 unaudited pro forma condensed combined balance sheet includes an estimated adjustment to inventory and goodwill to reflect the capitalization of certain general and administrative expenses.
- (d) This pro forma adjustment reflects the incremental amortization expense of acquired intangible assets for the periods presented. For purposes of this pro forma presentation we have estimated that the acquired amortizable intangible assets from the Merger to be \$54.8 million, with an estimated useful life of 15 years. As the purchase price allocation for the Merger has not been completed and the allocation of the purchase price to acquired intangible assets and the assumed weighted average useful lives will change, a \$1.0 million increase/decrease in acquired intangible assets would result in an increase/decrease in amortization expense of approximately \$67 thousand per fiscal year (assuming a 15 year useful life).
- (e) These pro forma adjustments represent certain costs reflected in IDT's historical results of operations, which for the purposes of this pro forma presentation DRS has eliminated to reflect cost savings which will result from the Merger. The "IDT management fee" adjustment represents a management fee that IDT paid Veritas Capital Management, L.L.C. (Veritas Capital Management controls IDT's principal stockholder, IDT Holding, L.L.C.). The

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management fee obligation will be terminated upon closing of the Merger. The "IDT board of director's fees" adjustment represents the net savings expected to be realized due to the elimination of IDT's board of directors upon closing of the Merger (with the exception of the anticipated election of Robert B. McKeon, chairman of IDT, to DRS's board of directors).

6.

Net incremental debt to be incurred in connection with the Merger is estimated to be \$188.0 million, which reflects a required repayment of \$204.4 million of IDT's bank debt, which excludes \$0.2 million of IDT's capital leases. The unaudited pro forma condensed combined statements of earnings for the year ended March 31, 2003 and the three-month periods ended June 30, 2003 and 2002, include pro forma adjustments for incremental interest expense of \$10.9 million, \$2.7 million and \$2.7 million, respectively, associated with the net increase in debt outstanding based on a weighted average interest rate of 5.82% on the amended and restated credit facility and the Notes for the year ended March 31, 2003 and the three-month periods ended June 30, 2003 and 2002. A 0.125% increase/decrease in the weighted average prevailing interest rates on our incremental debt would result in an increase/decrease in interest expense of approximately \$0.5 million, \$0.1 million and \$0.1 million for the year ended March 31, 2003 and the three-month periods ended June 30, 2003 and 2002, respectively. The pro forma interest expense adjustments for the year ended March 31, 2003 and the three-month periods ended June 30, 2003 and 2002 also include adjustments of \$2.2 million, \$0.6 million and \$0.6 million, respectively, for the incremental increase in amortization of the deferred financing fees incurred in connection with the Notes and amending and restating the original credit facility in connection with the Merger.

A summary of the components comprising the pro forma changes in debt related to the Merger and amending and restating of the original credit facility follows.

**Change in Borrowings**

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	<b>Change in Borrowings</b>
Revolving line of credit	\$ 42,342
Term loans	150,000
Senior subordinated notes	200,000
Required IDT term loan repayment	(204,375)
<b>Total incremental debt</b>	<b>\$ 187,967</b>
<b>Total incremental debt</b>	<b>\$ 187,967</b>
<b>Current installments long term debt</b>	<b>1,470</b>
<b>Long-term debt, excluding current installments</b>	<b>\$ 186,497</b>

DRS has obtained a senior subordinated bridge loan commitment in the amount of \$125.0 million to secure financing in the event that DRS is unable to consummate the offering of the Notes prior to the completion of the Merger. The June 30, 2003 unaudited pro forma condensed combined balance sheet reflects the net effect of charging to retained earnings, the up-front commitment fee paid to obtain the financing, net of tax.

7.

DRS financed the Paravant acquisition using approximately \$75.0 million of term loans under the original credit facility. The unaudited pro forma condensed combined statements of earnings for the year ended March 31, 2003 and the three months ended June 30, 2002, include adjustments for additional interest expense of \$2.1 million and \$0.8 million, respectively. A 0.125% increase/decrease in the average prevailing interest rates on the Paravant incremental debt would result in an increase/decrease in interest expense of approximately \$63 thousand and \$23 thousand for the year ended March 31, 2003 and the three months ended June 30, 2002, respectively. The pro forma interest expense adjustment for the year ended March 31, 2003 and the three months ended June 30, 2002 also includes adjustments of \$0.2 million and \$0.1 million, respectively, for the amortization of the incremental increase in deferred financing fees incurred in connection with amending and restating DRS's previously existing credit facility in connection with the Paravant acquisition.

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8.

The following adjustments to costs and expenses are reflected in the Fiscal 2003 Acquisitions Adjustments column in the Unaudited Pro Forma Condensed Combined Statements of Earnings for the year ended March 31, 2003 and the three months ended June 30, 2002.

	<b>Increase (Decrease) to Costs and Expenses</b>	
	<b>Year Ended March 31, 2003</b>	<b>Three Months Ended June 30, 2002</b>
	(in thousands)	
<b>General and administrative expenses(a)</b>		
NCD	\$ (513)	\$ (513)
Paravant	491	(124)
<b>Total general and administrative expense adjustment</b>	<b>(22)</b>	<b>(637)</b>
<b>Amortization of acquired intangible assets(b)</b>		

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	Increase (Decrease) to Costs and Expenses	
NCD	82	82
Paravant	77	29
EDC	289	72
PTI	109	27
	<hr/>	<hr/>
Total acquired intangible asset amortization adjustment	557	210
	<hr/>	<hr/>
Total adjustments to costs and expenses	\$ 535	\$ 427
	<hr/>	<hr/>

- (a) Certain of the Fiscal 2003 Acquisitions historically recognized general and administrative expenses as a period cost. To be consistent with DRS accounting policy, the pro forma adjustments to costs and expenses reflect estimated amounts of general and administrative expenses capitalized into inventory for the year ended March 31, 2003 and the three months ended June 30, 2002.
- (b) Reflects pro forma amortization of identifiable intangible assets acquired in connection with the Fiscal 2003 Acquisitions.

9. The pro forma adjustments to income taxes for the year ended March 31, 2003 and the three months ended June 30, 2002 include the income tax effect on the pro forma adjustments related to the proposed Merger and the Fiscal 2003 Acquisitions, and the historical results of operations for NCD and EDC, which businesses did not previously file separate income tax returns, and PTI, which was an S corporation prior to the acquisition by DRS, using a statutory income tax rate of 42%. The pro forma adjustments to income taxes for the three months ended June 30, 2003 include the income tax effect on the Merger Adjustments using a statutory income tax rate of 42%.
10. The pro forma adjustment to the weighted average number of shares of DRS common stock outstanding reflects the issuance of the maximum number of shares of DRS common stock in the Merger. The pro forma weighted average number of shares outstanding assumes that the shares issued in the Merger are outstanding throughout each period. The number of shares of DRS common stock issued is dependent upon its closing price for the ten trading day period ending with the second complete trading day prior to the closing of the Merger.
11. The Historical DRS column represents the unaudited consolidated balance sheet of DRS as of June 30, 2003, which is incorporated by reference in this proxy statement/prospectus.
12. The Historical IDT column represents the unaudited consolidated balance sheet of IDT as of June 27, 2003, which is incorporated by reference in this proxy statement/prospectus.
13. The pro forma adjustments reflected in cash and cash equivalents consist of the following.

	(in thousands)
New borrowings	\$ 392,342
Cash paid to IDT shareholders	(261,267)
Repayment of IDT bank debt	(204,375)
Merger and financing-related costs	(20,000)
<b>Total</b>	<b>\$ (93,300)</b>

14. The pro forma adjustment to other assets represents the net increase in debt related financing costs. The adjustment is comprised of a \$10.4 million increase associated with the capitalization of certain costs related to DRS's additional borrowings and a \$3.0 million decrease associated with the elimination of the carrying amount of IDT's debt-related financing costs. In accordance with EITF Issue No. 96-19, DRS will expense \$0.1 million of professional fees expected to be incurred in connection with the refinancing.
15. These pro forma adjustments relate to the fair value of IDT's interest rate swap at June 27, 2003. The \$0.4 million adjustment to other current liabilities represents the elimination of the fair value of the interest rate swap and the \$0.2 million adjustment to prepaid expenses and other current assets represents the elimination of the related deferred tax asset.
16. As a result of the Merger, DRS will acquire each outstanding share of common stock of IDT for \$12.25 in cash and a fraction of a share of DRS common stock (subject to a collar) for an estimated purchase price of \$373.2 million, plus estimated Merger-related costs of \$5.0 million. The unaudited pro forma condensed combined balance sheet as of June 30, 2003 reflects the allocation of the purchase price to the estimated fair value of the assets acquired and liabilities assumed on a preliminary basis. Subsequent to the consummation of the Merger, DRS will obtain third-party valuations of certain assets acquired and liabilities assumed, as well as perform an assessment of the acquired contracts. All of the data required to value the acquired contracts is not currently available and at this time it is not practicable to reasonably estimate their final valuations for this pro forma presentation. The fair value of the acquired contracts will be valued at their remaining contract value less DRS's estimate to complete and a profit margin commensurate with the profit margin DRS earns on similar contracts. Therefore, the preliminary purchase price allocation will change and such change may have a material effect on the accompanying unaudited pro forma condensed combined financial statement information. The

following table summarizes the preliminary allocation of the estimated purchase price to the estimated fair value of assets acquired and liabilities assumed.

	June 30, 2003
	(in thousands)
Net book value of assets acquired	\$ 167,203
Adjustments to net book value of assets acquired:	
Elimination of deferred financing costs	(3,012)
Elimination of interest rate swap, net of deferred taxes	270
	164,461
Estimated general and administrative expenses capitalized in inventory	(267)
Estimated incremental amortizable acquired intangible assets(a)	
Estimated incremental goodwill	214,043
<b>Total estimated purchase price including Merger-related costs of \$5.0 million</b>	<b>\$ 378,237</b>



(a)

For purposes of this pro forma presentation we have estimated that the amortizable acquired intangible assets from the Merger will be \$54.8 million, which is the net book value of such assets recorded in IDT's June 27, 2003 unaudited consolidated balance sheet.

17.

The accompanying unaudited pro forma condensed combined balance sheet reflects the maximum number of shares of DRS common stock that would be issued to IDT shareholders in connection with the Merger, which is 4,323,17