

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): **March 22, 2011**

Kratos Defense & Security Solutions, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction of
Incorporation)

0-27231
Commission
File Number

13-3818604
(I.R.S. Employer
Identification Number)

4820 Eastgate Mall, San Diego, CA 92121
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: **(858) 812-7300**

N/A
(Former Name, or Former Address, if Changed Since Last Report)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

On March 22, 2011, Kratos Defense & Security Solutions, Inc. ("Kratos"), Acquisition Co. Lanza Parent, a Delaware corporation (the "Stage I Issuer") and wholly-owned subsidiary of Kratos, and Lanza Acquisition Co., a Delaware corporation and indirect wholly-owned subsidiary of Kratos ("Acquisition Co."), entered into a Purchase Agreement (the "Purchase Agreement") with certain initial purchasers, in connection with the offering of \$285 million aggregate principal amount of the Stage I Issuer's 10% Senior Secured Notes due 2017 (the "Stage I Notes"). The Stage I Notes are being offered at a premium of 107%, for an effective interest rate of 8.5%. The estimated gross proceeds of approximately \$305 million, which includes an approximate \$20 million of issuance premium, will be used, together with cash contributions from Kratos, to finance the acquisition (the "Acquisition") of all of the outstanding shares of common stock of Herley Industries, Inc. ("Herley"), to pay related fees and expenses and for general corporate purposes.

Promptly following the consummation of the Acquisition and in accordance with the terms of the indenture that will govern the Stage I Notes, the Stage I Notes will be exchanged for \$285.0 million aggregate principal amount of Kratos' existing 10% Senior Secured Notes due 2017 (the "Stage II Notes" and together with the Stage I Notes, the "Notes") that will be issued as a "tack-on" under and pursuant to that certain indenture dated as of May 19, 2010, among Kratos, the guarantors party thereto and Wilmington Trust FSB, as trustee and collateral agent, under which Kratos previously issued \$225.0 million in aggregate principal amount of its 10% Senior Secured Notes due 2017.

The Stage I Notes and related guarantees will be secured by a lien on substantially all of the assets of the Stage I Issuer and its existing and future domestic subsidiaries, subject to certain exceptions (e.g., none of the capital stock of Herley, to the extent acquired by Acquisition Co., will secure the Stage I Notes until the consummation of the Acquisition) and permitted liens. The Stage II Notes and related guarantees will be secured by a lien on substantially all of the assets of Kratos and its existing and future domestic restricted subsidiaries, subject to certain exceptions and permitted liens.

The offering of the Stage I Notes is expected to close on March 25, 2011, subject to at least a majority of Herley common stock on a fully-diluted basis having been accepted for payment by Kratos in the tender offer and other customary closing conditions.

The Stage I Notes are being offered inside the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act.

The Notes have not been registered under the Securities Act, any other United States federal securities laws or the securities laws of any state and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act and applicable state laws. This Current Report on Form 8-K is neither an offer to sell nor a solicitation of an offer to buy the Notes or any other securities, and shall not constitute an offer to sell or a solicitation of an offer to buy, or a sale of, the Notes or any other securities in any jurisdiction in which such offer, solicitation or sale is unlawful.

Forward-Looking Statements

Certain statements in this Current Report on Form 8-K may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements relate to a variety of matters, including but not limited to: Kratos’ intended use of the proceeds from the issuance of the Stage I Notes; the exchange of the Stage I Notes for Stage II Notes; and other statements that are not purely statements of historical fact. These forward-looking statements are made on the basis of the current beliefs, expectations and assumptions of the management of Kratos and are subject to significant risks and uncertainty. Investors are cautioned not to place undue reliance on any such forward-looking statements. All such forward-looking statements speak only as of the date they are made, and Kratos undertakes no obligation to update or revise these statements, whether as a result of new information, future events or otherwise.

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Item 8.01. Other Events.

On March 23, 2011, Kratos issued a press release announcing the pricing of the offering of the Stage I Notes. A copy of the press release is attached hereto as Exhibit 99.1 and is hereby incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

99.1 Press release dated March 23, 2011

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SIGNATURES

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

Kratos Defense & Security Solutions, Inc.

By: /s/ Deanna H. Lund
Deanna H. Lund
Executive Vice President, Chief Financial Officer

Date: March 23, 2011

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FOR IMMEDIATE RELEASE

**KRATOS DEFENSE & SECURITY SOLUTIONS, INC. PRICES OFFERING OF
\$285 MILLION OF TACK-ON TO EXISTING 10% SENIOR SECURED NOTES DUE 2017**

EFFECTIVE INTEREST RATE ON NOTES 8.5 PERCENT

NOTES SOLD AT PREMIUM OF 107%

NOTE PROCEEDS TO BE USED TO FINANCE HERLEY ACQUISITION

SAN DIEGO, CA, March 23, 2011—Kratos Defense & Security Solutions, Inc. (NASDAQ: KTOS) announced today that its wholly-owned subsidiary, Acquisition Co. Lanza Parent, has priced a private offering of \$285 million aggregate principal amount of its 10% Senior Secured Notes due 2017 (the "Notes"). Promptly after the closing of the acquisition of 100% of the equity of Herley, the Notes will be exchanged for additional tack-on notes of \$285 million aggregate principal amount of the existing 10% Senior Secured Notes due 2017 of Kratos. The estimated gross proceeds of approximately \$305 million, which includes an approximate \$20 million of issuance premium, will be used, together with cash contributions from Kratos, to finance the acquisition of all of the outstanding shares of common stock of Herley Industries, Inc., to pay related fees and expenses and for general corporate purposes. The effective interest rate of the Notes, net of the issuance premium, is approximately 8.5% per annum. The offering of the Notes is expected to close on March 25, 2011, subject to at least a majority of Herley common stock on a fully-diluted basis having been accepted for payment by Kratos in the tender offer and subject to other customary closing conditions.

The Notes are being offered inside the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act.

The Notes have not been registered under the Securities Act, any other United States federal securities laws or the securities laws of any state and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act and applicable state laws. This press release is neither an offer to sell nor a solicitation of an offer to buy the Notes or any other securities and shall not constitute an offer to sell or a solicitation of an offer to buy, or a sale of, the Notes or any other securities in any jurisdiction in which such offer, solicitation or sale is not permitted.

About Kratos Defense & Security Solutions

Kratos Defense & Security Solutions, Inc. (NASDAQ: KTOS) is a specialized national security business providing mission critical products, services and solutions for United States National Security priorities. Kratos' core capabilities are sophisticated engineering, manufacturing and system integration offerings for national security platforms and programs. Kratos' areas of expertise include C5ISR, unmanned systems, cyber warfare, cyber security, information assurance, critical infrastructure security and weapons systems sustainment. Kratos has primarily an engineering and technical oriented work force of approximately 2,900, the majority of which hold an active national security clearance. Kratos' primary end customers are United States Federal Government agencies, including the Department of Defense, classified agencies, intelligence agencies and Homeland Security related agencies.

Notice Regarding Forward-Looking Statements

This news release contains certain forward-looking statements that involve risks and uncertainties, including, without limitation, statements regarding the completion of the proposed offering and Kratos' use of the proceeds from the offering. Actual results or developments may differ materially from those projected or implied in these forward-looking statements. Factors that may cause such a difference include, without limitation, risks and uncertainties related to market conditions and the satisfaction of customary closing conditions related to the proposed offering. There can be no assurance that Kratos will be able to complete the proposed offering on the anticipated terms, or at all. For a further discussion of risks and uncertainties that could cause actual results to differ from those expressed in these forward-looking statements, as well as risks relating to Kratos' business in general, see the risk disclosures in Kratos' SEC filings, including its most recent Annual Report on Form 10-K for the year ended December 26, 2010 and in subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and other filings made with the SEC by Kratos. All forward-looking statements included in this news release are based on information available at the time of the release. Kratos is under no obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements, whether as a result of new information, future events or otherwise.