

**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): **December 13, 2010**

**KRATOS DEFENSE & SECURITY  
SOLUTIONS, INC.**

(Exact Name of Registrant as Specified in its 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.**

The information set forth in Item 2.03 of this Current Report on Form 8-K is incorporated in this Item 1.01 by reference.

**Item 2.01. Completion of Acquisition or Disposition of Assets.**

On December 15, 2010, Kratos Defense & Security Solutions, Inc. (the "Company") completed the previously announced merger (the "Merger") of Hammer Acquisition Inc., a Delaware corporation and a wholly-owned subsidiary of the Company ("Merger Sub"), with and into Henry Bros. Electronics, Inc., a Delaware corporation ("HBE"), whereby HBE became a wholly-owned subsidiary of the Company. The Merger was effected pursuant to an Agreement and Plan of Merger, dated October 5, 2010, by and among the Company, HBE and Merger Sub (the "Agreement"), as amended by that certain Amendment to the Agreement and Plan of Merger, dated November 13, 2010, by and among the Company, HBE and Merger Sub (the "Amendment" and together with the Agreement, the "Merger Agreement").

Pursuant to the terms of the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each outstanding share of HBE common stock (other than shares of HBE common stock owned by the Company, Merger Sub, or HBE stockholders, if any, who have perfected statutory dissenters' rights under Delaware law) was cancelled and converted into the right to receive \$8.20 in cash, without interest (the "Merger Consideration"). In addition, at the

Effective Time, all (i) outstanding options to purchase HBE common stock were assumed by the Company (the "Assumed Options") and converted into options to purchase common stock of the Company, entitling the holders thereof to receive 0.7715 shares of the Company's common stock for each share of HBE common stock underlying the Assumed Options; and (ii) warrants to purchase HBE common stock, whether or not then exercisable or vested, were canceled.

The foregoing description of the Merger Agreement and the Merger is not complete and is subject to, and qualified in its entirety by, the full text of the (i) Agreement, which was attached as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission (the "SEC") on October 7, 2010; and (ii) Amendment, which was attached as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on November 15, 2010, the terms of each of which are incorporated herein by reference.

### **Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.**

On December 13, 2010, the Company entered into a First Amendment Agreement (the "Amendment Agreement"), with certain lenders and with KeyBank National Association, as administrative agent, lead arranger and sole book runner (collectively, the "Parties"), which amended that certain Credit and Security Agreement (the "Credit Agreement"), entered into by the Parties on May 19, 2010. Among other things, the Amendment Agreement: (i) increased the amount of the senior secured revolving line of credit from \$25 million to \$35 million; (ii) modified the definitions of certain terms contained in the Credit Agreement; (iii) amended certain borrowing covenants under the Credit Agreement to (a) increase the acceptable amount of additional Indebtedness (as defined in the Credit Agreement) attributable to Senior Notes, unsecured Subordinated Indebtedness (both as defined in the Credit Agreement) and other unsecured Indebtedness from \$25 million to \$100 million and (b) exempt certain performance based contingent obligations related to prior acquisitions from the borrowing restrictions; and (iv) updated certain schedules to the Credit Agreement. For further information regarding the Credit Agreement, see Item 1.01 "Entry into a Material Definitive Agreement" of Registrant's Current Report on Form 8-K filed on May 25, 2010.

The foregoing description of the Amendment Agreement is not complete and is subject to, and qualified in its entirety by, the full text of the Amendment Agreement which is filed as Exhibit 10.1 to this Current Report on Form 8-K, the terms of which are incorporated herein by reference.

### **Item 8.01. Other Events.**

On December 16, 2010, the Company issued a press release announcing the completion of the previously announced Merger, pursuant to the Merger Agreement. A copy of the press release is attached hereto as Exhibit 99.1 to this Current Report on Form 8-K and incorporated herein by reference.

2

---

### **Item 9.01. Financial Statements and Exhibits.**

#### **(a) Financial Statements of Businesses Acquired**

The financial statements required by this Item 9.01(a) will be filed by amendment to this Current Report on Form 8-K not later than 71 calendar days after the date on which this Current Report on Form 8-K is required to be filed.

#### **(b) Pro Forma Financial Information**

The pro forma financial statements required by this Item 9.01(b) will be filed by amendment to this Current Report on Form 8-K not later than 71 calendar days after the date on which this Current Report on Form 8-K is required to be filed.

#### **(d) Exhibits**

<u>Exhibit Number</u>	<u>Description</u>
10.1	First Amendment Agreement, dated as of December 13, 2010, by and among Kratos Defense & Security Solutions, Inc., as Borrower, the Lenders named therein, and Key Bank National Association, as Lead Arranger, Sole Book Runner and Administrative Agent.
99.1	Press Release issued by Kratos Defense & Security Solutions, Inc. on December 16, 2010.

### **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: the benefits and synergies expected to result from the acquisition; the anticipated customer base for the Company and HBE; 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 the Company and HBE 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 neither the Company nor HBE undertakes any obligation to update or revise these statements, whether as a result of new information, future events or otherwise.

Factors that could cause actual results to differ materially from the forward-looking statements contained herein include, but are not limited to: any operational or cultural difficulties associated with the integration of the businesses of the Company and HBE; potential adverse reactions or changes to business relationships resulting from the acquisition; unexpected costs, charges or expenses resulting from the acquisition; litigation or adverse judgments relating to the acquisition; the failure to realize synergies and cost savings from the transaction or delay in realization thereof; and any changes in general economic and/or industry-specific conditions. 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 the businesses of the Company and HBE in general, see the risk disclosures in the Annual Report on Form 10-K of the Company for the year ended December 27, 2009 and in the Annual Report on Form 10-K of HBE for the year ended December 31, 2009, and in subsequent reports on Forms 10-Q and 8-K and other filings made with the SEC by each of the Company and HBE.

3

**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/ Eric DeMarco  
Eric DeMarco  
President and Chief Executive Officer

Date: December 16, 2010

## FIRST AMENDMENT AGREEMENT

This FIRST AMENDMENT AGREEMENT (this "Amendment") is made as of the 13<sup>th</sup> day of December, 2010 among:

- (a) KRATOS DEFENSE & SECURITY SOLUTIONS, INC., a Delaware corporation ("Borrower");
- (b) the Lenders, as defined in the Credit Agreement, as hereinafter defined; and
- (c) KEYBANK NATIONAL ASSOCIATION, as the lead arranger, sole book runner and administrative agent for the Lenders under the Credit Agreement ("Agent").

WHEREAS, Borrower, Agent and the Lenders are parties to that certain Credit and Security Agreement, dated as of May 19, 2010, that provides, among other things, for loans and letters of credit aggregating Twenty-Five Million Dollars (\$25,000,000), all upon certain terms and conditions (as the same may from time to time be amended, restated or otherwise modified, the "Credit Agreement");

WHEREAS, Borrower, Agent and the Lenders desire to amend the Credit Agreement to modify certain provisions thereof and add certain provisions thereto;

WHEREAS, each capitalized term used herein and defined in the Credit Agreement, but not otherwise defined herein, shall have the meaning given such term in the Credit Agreement; and

WHEREAS, unless otherwise specifically provided herein, the provisions of the Credit Agreement revised herein are amended effective as of the date of this Amendment;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Borrower, Agent and the Lenders agree as follows:

1. Amendment to Definitions in the Credit Agreement. Section 1.1 of the Credit Agreement is hereby amended to delete the definitions of "Borrowing Base", "Consolidated EBITDA", "Consolidated Fixed Charges", "Non-Transfer Effective Date", "Revolving Amount", "Total Commitment Amount" and "Transfer Effective Date" therefrom and to insert in place thereof, respectively, the following:

"Borrowing Base" means an amount equal to the total of the following:

- (a) up to eighty-five percent (85%) of the aggregate amount due and owing on Eligible Accounts Receivable of the Borrowing Base Companies; plus
- (b) the lesser of (i) up to seventy percent (70%) of the aggregate amount due and owing on Eligible Unbilled Receivables of the Borrowing Base Companies; or (ii) Five Million Dollars (\$5,000,000);

(c) the lesser of:

(i) the lesser of (A) up to sixty percent (60%) of the aggregate of the cost or market value (whichever is lower), as determined on an average cost method basis in accordance with GAAP, of the Eligible Inventory of the Borrowing Base Companies, or (B) up to eighty-five percent (85%) of the Appraised Inventory NOLV; or

(ii) Ten Million Dollars (\$10,000,000); minus

(d) Reserves, if any;

provided that, anything herein to the contrary notwithstanding, Agent shall at all times have the right to modify or reduce such percentages or dollar amount caps from time to time, in its reasonable credit judgment.

"Consolidated EBITDA" means, for any period, as determined on a Consolidated basis, (a) Consolidated Net Income for such period plus, without duplication, the aggregate amounts deducted in determining such Consolidated Net Income in respect of (i) Consolidated Interest Expense, (ii) Consolidated Income Tax Expense, (iii) Consolidated Depreciation and Amortization Charges, (iv) non-cash losses or charges, (v) losses with respect to Kratos Southeast, Inc. (so long as Kratos Southeast, Inc. is held as a discontinued operation and is sold or otherwise divested on or prior to the last day of the 2010 fiscal year of Borrower) for (A) the 2009 fiscal year of Borrower, and (B) the Quarterly Reporting Periods in 2010 in an aggregate amount not to exceed Two Million Dollars (\$2,000,000), and (vi) losses with respect to discontinued operations, in an aggregate amount not to exceed Two Million Dollars (\$2,000,000); minus (b) to the extent included in Consolidated Net Income for such period, non-cash gains.

"Consolidated Fixed Charges" means, for any period, as determined on a Consolidated basis, the aggregate, without duplication, of (a) Consolidated Interest Expense, and (b) principal payments on Consolidated Funded Indebtedness (including, without limitation, performance based contingent obligations incurred in connection with one or more Acquisitions, payments on Capitalized Lease Obligations, and excluding optional prepayments of the Revolving Loans).

"Non-Transfer Effective Date" means a date on which either (a) a Default or an Event of Default occurs, or (b) the Revolving Credit Availability becomes less than Seven Million Five Hundred Thousand Dollars (\$7,500,000); and each such subsequent date that occurs after a Transfer Effective Date.

"Revolving Amount" means Thirty-Five Million Dollars (\$35,000,000), as such amount may be increased up to the Maximum Revolving Amount pursuant to Section 2.9(b) hereof, or decreased pursuant to Section 2.9(a) hereof.

“Total Commitment Amount” means the principal amount of Thirty-Five Million Dollars (\$35,000,000), as such amount may be increased pursuant to Section 2.9(b) hereof, or decreased pursuant to Section 2.9(a) hereof.

“Transfer Effective Date” means, after the most recent Non-Transfer Effective Date, the last day of a sixty (60) consecutive day period during which (a) the Revolving Credit Availability shall have been, at all times during such period, greater than Twelve Million Five Hundred Thousand Dollars (\$12,500,000), and (b) no Default or Event of Default shall have occurred at any time during such period.

2. Addition to Definitions in the Credit Agreement. Section 1.1 of the Credit Agreement is hereby amended to add the following new definition thereto:

“Eligible Unbilled Receivable” means, for any date, an Account of a Borrowing Base Company that, (a) if it had been billed prior to the end of the immediately preceding month, would have met all of the requirements for an Eligible Account Receivable, and (b) is to be billed within ten days after the end of such immediately preceding month.

3. Amendment to Borrowing Covenant Provisions. Section 5.8 of the Credit Agreement is hereby amended to delete subsection (j) therefrom and to insert in place thereof the following subsection (j), and to add the following new subsection (k) at the end thereof:

(j) other Indebtedness, in addition to the Indebtedness listed above, in an aggregate principal amount for all Companies not to exceed One Hundred Million Dollars (\$100,000,000), with respect to (i) Indebtedness incurred in connection with the Senior Notes, (ii) unsecured Subordinated Indebtedness created pursuant to documentation in form and substance reasonably satisfactory to Agent and the Required Lenders, and on terms reasonably satisfactory to Agent and the Required Lenders, and (iii) other unsecured Indebtedness; so long as, in each case, as of the date such additional Indebtedness is incurred, (A) Borrower is in pro forma compliance with Section 5.7 hereof, both before and after giving effect to the incurrence of such Indebtedness, and (B) no Default or Event of Default shall then exist or immediately thereafter shall begin to exist; and

(k) performance based contingent obligations that were incurred in connection with the Acquisition of (i) DEI Services Corporation, in an aggregate amount not to exceed Eight Million Four Hundred Thousand Dollars (\$8,400,000), and (ii) SCT Acquisition, LLC (d/b/a Southside Container), in an aggregate amount not to exceed Three Million Five Hundred Thousand Dollars (\$3,500,000).

4. Amendment to Schedules to the Credit Agreement. The Credit Agreement is hereby amended to delete Schedule 1 (Commitments of Lenders) and Schedule 2 (Guarantors of Payment) therefrom and to insert in place thereof a new Schedule 1 and Schedule 2 in the form of Schedule 1 and Schedule 2 hereto.

5. Closing Deliveries. Concurrently with the execution of this Amendment, Borrower shall:

(a) deliver to Agent, for delivery to KeyBank National Association, a new Revolving Credit Note, in the amount specified in Schedule 1 to the Credit Agreement (after giving effect to this Amendment);

(b) deliver to Agent certified copies of the resolutions of the board of directors of Borrower evidencing approval of the execution and delivery of this Amendment and the execution of any other Loan Documents and Related Writings required in connection therewith;

(c) deliver to Agent an opinion of counsel, in form and substance satisfactory to Agent, indicating that the Obligations incurred by Borrower pursuant to the increase in the Revolving Credit Commitment are permitted to be incurred, and permitted to be secured, pursuant to the Senior Notes Documents;

(d) execute and deliver to Agent, for its sole benefit, the First Amendment Agent Fee Letter, and pay to Agent the fees stated therein;

(e) cause each Guarantor of Payment to execute the attached Guarantor Acknowledgement and Agreement; and

(f) pay all legal fees and expenses of Agent in connection with this Amendment and any other Loan Documents.

6. Representations and Warranties. Borrower hereby represents and warrants to Agent and the Lenders that (a) Borrower has the legal power and authority to execute and deliver this Amendment; (b) the officers executing this Amendment have been duly authorized to execute and deliver the same and bind Borrower with respect to the provisions hereof; (c) the execution and delivery hereof by Borrower and the performance and observance by Borrower of the provisions hereof do not violate or conflict with the Organizational Documents of Borrower or any law applicable to Borrower or result in a breach of any provision of or constitute a default under any other agreement, instrument or document binding upon or enforceable against Borrower; (d) no Default or Event of Default exists, nor will any occur immediately after the execution and delivery of this Amendment or by the performance or observance of any provision hereof; (e) each of the representations and warranties contained in the Loan Documents is true and correct in all material respects as of the date hereof as if made on the date hereof, except to the extent that any such representation or warranty expressly states that it relates to an earlier date (in which case such representation or warranty is true and correct in all material respects as of such earlier date); (f) Borrower is not aware of any claim or offset against, or defense or counterclaim to, Borrower’s obligations or liabilities under the Credit Agreement or any Related Writing; and (g) this Amendment constitutes a valid and binding obligation of Borrower, enforceable in accordance with its terms.

7. Waiver and Release. Borrower, by signing below, hereby waives and releases Agent, and each of the Lenders, and their respective directors, officers, employees, attorneys, affiliates and subsidiaries, from any and all claims, offsets, defenses and counterclaims, such waiver and release being with full knowledge and understanding of the circumstances and effect thereof and after having consulted legal counsel with respect thereto.

8. References to Credit Agreement and Ratification. Each reference that is made in the Credit Agreement or any other Related Writing to the Credit Agreement shall hereafter be construed as a reference to the Credit Agreement as amended hereby. Except as herein otherwise specifically provided, all terms and provisions of the Credit Agreement are confirmed and ratified and shall remain in full force and effect and be unaffected hereby. This Amendment is a Loan Document.

9. Counterparts. This Amendment may be executed in any number of counterparts, by different parties hereto in separate counterparts and by facsimile signature, each of which, when so executed and delivered, shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

10. Headings. The headings, captions and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

11. Severability. Any term or provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the term or provision so held to be invalid or unenforceable.

12. Governing Law. The rights and obligations of all parties hereto shall be governed by the laws of the State of New York, without regard to principles of conflicts of laws.

[Remainder of page intentionally left blank.]

5

---

JURY TRIAL WAIVER. BORROWER, AGENT AND THE LENDERS, TO THE EXTENT PERMITTED BY LAW, EACH HEREBY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT AND THE LENDERS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AMENDMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED THERETO.

IN WITNESS WHEREOF, the parties have executed and delivered this Amendment as of the date first set forth above.

KRATOS DEFENSE & SECURITY SOLUTIONS, INC.

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

KEYBANK NATIONAL ASSOCIATION,  
as Agent and as a Lender

By: /s/ John P. Dunn  
John P. Dunn  
Vice President

Signature Page to  
First Amendment Agreement

---

#### GUARANTOR ACKNOWLEDGMENT AND AGREEMENT

The undersigned consent and agree to and acknowledge the terms of the foregoing First Amendment Agreement dated as of December 13, 2010. The undersigned further agree that the obligations of the undersigned pursuant to the Guaranty of Payment executed by the undersigned are hereby ratified and shall remain in full force and effect and be unaffected hereby.

The undersigned hereby waive and release Agent and the Lenders and their respective directors, officers, employees, attorneys, affiliates and subsidiaries from any and all claims, offsets, defenses and counterclaims of any kind or nature, absolute and contingent, of which the undersigned are aware or should be aware, such waiver and release being with full knowledge and understanding of the circumstances and effect thereof and after having consulted legal counsel with respect thereto.

JURY TRIAL WAIVER. THE UNDERSIGNED, TO THE EXTENT PERMITTED BY LAW, HEREBY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT, THE LENDERS AND THE UNDERSIGNED, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AMENDMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED THERETO.

KRATOS COMMERCIAL SOLUTIONS, INC.)  
 KRATOS MID-ATLANTIC, INC.  
 KRATOS SOUTHEAST, INC.  
 KRATOS TEXAS, INC.  
 WFI NMC CORP.  
 SYS  
 AI METRIX, INC.  
 POLEXIS, INC.  
 REALITY BASED IT SERVICES, LTD.  
 SHADOW I, INC.  
 SHADOW II, INC.  
 SHADOW III, INC.  
 DIGITAL FUSION, INC.  
 DIGITAL FUSION SOLUTIONS, INC.  
 SUMMIT RESEARCH CORPORATION

DEFENSE SYSTEMS, INCORPORATED  
 HAVERSTICK CONSULTING, INC.  
 HGS HOLDINGS, INC.  
 DTI ASSOCIATES, INC.  
 HAVERSTICK GOVERNMENT SOLUTIONS, INC.  
 ROCKET SUPPORT SERVICES, LLC  
 JMA ASSOCIATES, INC.  
 MADISON RESEARCH CORPORATION  
 GICHNER SYSTEMS GROUP, INC.  
 GICHNER HOLDINGS, INC.  
 GICHNER SYSTEMS INTERNATIONAL, INC.  
 CHARLESTON MARINE CONTAINERS INC.  
 DALLASTOWN REALTY I, LLC  
 DALLASTOWN REALTY II, LLC  
 DEI SERVICES CORPORATION  
 SCT ACQUISITION, LLC

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

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

KRATOS SOUTHWEST L.P.,  
 by Kratos Texas, Inc., its general partner

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

Signature Page to  
 Guarantor Acknowledgment and Agreement

SCHEDULE 1  
 COMMITMENTS OF LENDERS

LENDERS	COMMITMENT PERCENTAGE	REVOLVING CREDIT COMMITMENT AMOUNT	MAXIMUM AMOUNT
KeyBank National Association	100%	\$ 35,000,000	\$ 35,000,000
<b>Total Commitment Amount</b>			<b>\$ 35,000,000</b>

S-1

SCHEDULE 2  
 GUARANTORS OF PAYMENT

Kratos Public Safety & Security Solutions, Inc. (f/k/a Kratos Commercial Solutions, Inc.), a Delaware corporation  
 Kratos Mid-Atlantic, Inc. (f/k/a WFI Delaware Inc.), a Delaware corporation  
 Kratos Southeast, Inc. (f/k/a WFI Georgia Inc.), a Georgia corporation  
 Kratos Texas, Inc. (f/k/a WFI Texas, Inc.), a Texas corporation  
 WFI NMC Corp., a Delaware corporation  
 Kratos Southwest L.P. (f/k/a WFI Southwest LP), a Texas limited partnership  
 SYS, a California corporation  
 Ai Metrix, Inc., a Delaware corporation  
 Polaxis, Inc., a California corporation  
 Reality Based IT Services, Ltd., a Maryland corporation  
 Shadow I, Inc., a California corporation

Shadow II, Inc., a California corporation

Shadow III, Inc., a California corporation

Digital Fusion, Inc., a Delaware corporation

Digital Fusion Solutions, Inc., a Florida corporation

Summit Research Corporation, an Alabama corporation

Kratos Government Solutions, Inc. (f/k/a WFI Government Services, Inc.), a Delaware corporation

Defense Systems, Incorporated, a Virginia corporation

Haverstick Consulting, Inc., an Indiana corporation

HGS Holdings, Inc., an Indiana corporation

S-2

---

DTI Associates, Inc., a Virginia corporation

Haverstick Government Solutions, Inc., an Ohio corporation

Rocket Support Services, LLC, an Indiana limited liability company

JMA Associates, Inc. (d/b/a TLA Associates), a Delaware corporation

Madison Research Corporation, an Alabama corporation

Gichner Holdings, Inc., a Delaware corporation

Gichner Systems Group, Inc., a Delaware corporation

Gichner Systems International, Inc., a Delaware corporation

Charleston Marine Containers Inc., a Delaware corporation

Dallastown Realty I, LLC, a Delaware limited liability company

Dallastown Realty II, LLC, a Delaware limited liability company

DEI Services Corporation, a Florida corporation

S-3

---





**Press Contact:**  
Yolanda White  
858-812-7302 Direct

**Investor Information:**  
877-934-4687  
investor@kratosdefense.com

FOR IMMEDIATE RELEASE

**KRATOS DEFENSE & SECURITY SOLUTIONS COMPLETES  
ACQUISITION OF CRITICAL INFRASTRUCTURE AND HOMELAND SECURITY PROVIDER HENRY BROS. ELECTRONICS, INC.**

**Acquisition Expected To Be Immediately Accretive to Kratos Earnings Per Share and Significantly Expands Kratos Surveillance and Security Offering for Homeland Security and Public Safety**

**Kratos Increases 2011 Financial Guidance**

**SAN DIEGO, CA, December 16, 2010** — Kratos Defense & Security Solutions, Inc. (NASDAQ: KTOS), a leading National Security Solutions provider, announced today that it has completed its acquisition of leading Critical Infrastructure Security and Homeland Security provider Henry Bros. Electronics, Inc. (Nasdaq: HBE). Under the terms of the transaction, HBE stockholders will receive \$8.20 in cash for each share of HBE common stock they own.

HBE is a leading pure play provider of homeland security solutions, products, and system integration services, including the design, engineering and operation of command and control systems for the protection of strategic assets and critical infrastructure in the United States. HBE also has particular expertise in the design, engineering, deployment and operation of specialized surveillance, thermal imaging, analytics, radar, and biometrics technology based security systems. Representative HBE programs and customers include Department of Defense agencies, nuclear power generation facilities, state government and municipality related agencies, major national airports, major harbors, railways, tunnel systems, energy centers, power plants, and related infrastructure. HBE will become part of Kratos' Public Safety & Security (PSS) Business segment.

Ben Goodwin, President of Kratos' PSS Business, said, "We believe that the addition of HBE creates the potential for significant organic growth opportunities for Kratos and our public security and safety business. Combining our business with one of the leading homeland security solutions and high end security system design and engineering services providers in the industry today strategically strengthens our overall capabilities and enhances our customer offerings and overall contract portfolio. Together, we are positioned to pursue new, large, and critical national and homeland security program opportunities for the protection of critical infrastructure here in the United States that independently we could not have previously pursued. We also see the opportunity for significant cross selling between the two businesses which we intend on immediately pursuing".

The transaction is expected to immediately increase Kratos' earnings per share, cash flow, and cash flow per share, in addition to increasing Kratos' EBITDA margin rates. Additionally, Kratos has revised its 2011 financial guidance up to approximately \$550 to \$560 million in revenue, and up to \$60 to \$62 million in EBITDA.

Eric DeMarco, Kratos' President and Chief Executive Officer, said, "The acquisition of HBE is another important step in the execution of Kratos' strategic business plan. HBE's position as one of the premier Homeland and National Security Solution providers and command and control center design, engineering and operators in the industry today, and furthers our mission to build a business that supports many of our country's long-term National Security priorities. Importantly, we are looking forward to potential organic growth opportunities for the newly combined business, as Kratos' financial strength, critical mass and the combined past performance qualifications of the business will enable us to pursue large security system integration programs which HBE could not have previously pursued. The entire Kratos organization welcomes Jim Henry and HBE's most important and valuable asset, the Henry Brother's employees, to Kratos."

B. Riley and Company acted as exclusive financial advisors to Kratos on this important strategic acquisition. B. Riley also acts as Kratos advisor on critical strategic planning, capital structure and execution of Kratos business plan.

**About Kratos Defense & Security Solutions, Inc.**

Kratos Defense & Security Solutions, Inc. (NASDAQ: KTOS) is a United States National Security Solutions provider. Kratos provides mission critical products, solutions and services for United States national and homeland security. Principal areas of expertise include C5ISR, sensor development, unmanned system solutions and support, weapon systems upgrade and sustainment; design, engineering, manufacturing and integration of military products, tactical and other shelters; military weapon range operations; critical network engineering services; information assurance and cybersecurity solutions; security and surveillance systems; and critical infrastructure security system design, integration and operation. The Company is headquartered in San Diego, California, with resources located throughout the U.S. and at key strategic military locations. News and information are available at [www.KratosDefense.com](http://www.KratosDefense.com).

**About Henry Bros. Electronics, Inc.**

Henry Bros. Electronics (Nasdaq: HBE) provides technology-based integrated electronic security systems, services and emergency preparedness consultation to commercial enterprises and government agencies. HBE is headquartered in Fair Lawn, New Jersey, and has offices in Arizona, California, Colorado, Maryland, New York, Texas and Virginia. For more information, visit <http://www.hbe-inc.com>.

**Notice Regarding Forward-Looking Statements**

Certain statements in this press release 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: the benefits and synergies expected to result from the acquisition; the

anticipated customer base for Kratos and HBE; 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 HBE 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 neither Kratos nor HBE undertakes any obligation to update or revise these statements, whether as a result of new information, future events or otherwise.

Factors that could cause actual results to differ materially from the forward-looking statements contained herein include, but are not limited to: any operational or cultural difficulties associated with the integration of the businesses of Kratos and HBE; potential adverse reactions or changes to business relationships resulting from the acquisition; unexpected costs, charges or expenses resulting from the acquisition; litigation or adverse judgments relating to the acquisition; the failure to realize synergies and cost savings from the transaction or delay in realization thereof; and any changes in general economic and/or industry-specific conditions. 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 the businesses of Kratos and HBE in general, see the risk disclosures in the Annual Report on Form 10-K of Kratos for the year ended December 27, 2009 and in the Annual Report on Form 10-K of HBE for the year ended December 31, 2009, and in subsequent reports on Forms 10-Q and 8-K and other filings made with the SEC by each of Kratos and HBE.

---