

**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): **November 13, 2010**

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.

Amendment of Merger Agreement

On November 13, 2010, Kratos Defense & Security Solutions, Inc. (the "Company") entered into an Amendment (the "Amendment") to the Agreement and Plan of Merger (the "Merger Agreement"), dated as of October 5, 2010, with Hammer Acquisition Inc., a Delaware corporation and a wholly-owned subsidiary of the Company ("Merger Sub"), and Henry Bros. Electronics, Inc., a Delaware corporation ("HBE"). Pursuant to the terms of the Amendment, the merger consideration to be paid by the Company for each outstanding share of HBE common stock in the proposed merger (the "Merger") between Merger Sub and HBE (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 increased from \$7.00 per share in cash to \$8.20 per share in cash. In addition, the termination fee to be paid by HBE upon termination of the Merger Agreement under certain circumstances was increased from \$1,788,000.00 to \$2,180,582.00, and the exchange ratio to be used in converting outstanding options to purchase HBE common stock to be assumed by the Company in connection with the Merger into shares of common stock of the Company was increased from 0.6552 to 0.7715. The Amendment was entered into as a result of HBE notifying the Company, pursuant to the terms of the Merger Agreement, that the Company has received an Acquisition Proposal (as defined in the Merger Agreement) from Diebold, Inc. ("Diebold"), a publicly traded company with significant presence in the New York and New Jersey markets. In a non-binding proposal, Diebold offered to acquire 100% of the outstanding capital stock of HBE for \$8.00 per share in cash. The Diebold Acquisition Proposal did not include a financing contingency.

The foregoing description of the Amendment does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Amendment, a copy of which is attached hereto as Exhibit 2.1 and the terms of which are incorporated herein by reference.

On November 15, 2010, the Company issued a press release announcing the execution of the Amendment. A copy of the press release is attached as Exhibit 99.1 hereto.

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 timing and anticipated completion of the proposed Merger; the benefits

AMENDMENT TO THE AGREEMENT AND PLAN OF MERGER

This **AMENDMENT** (this "**Amendment**") to the Agreement and Plan of Merger, dated as of October 5, 2010 (the "**Merger Agreement**"), by and among: **KRATOS DEFENSE & SECURITY SOLUTIONS, INC.**, a Delaware corporation ("**Parent**"); **HAMMER ACQUISITION INC.**, a Delaware corporation and a wholly owned subsidiary of Parent ("**Merger Sub**"); and **HENRY BROS. ELECTRONICS, INC.**, a Delaware corporation ("**Company**"), is made and entered into as of November 13, 2010 by and among Parent, Merger Sub and the Company.

WHEREAS, the Company has notified Parent that it has received a non-binding Acquisition Proposal from Diebold Incorporated to acquire all shares of Company Common Stock for \$8.00 per share in cash.

WHEREAS, Parent, Merger Sub and the Company desire to amend certain terms of the Merger Agreement as set forth below.

NOW, THEREFORE, in consideration of the foregoing premises and the representations, warranties, covenants and agreements set forth herein, as well as other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and accepted, and intending to be legally bound hereby, Parent, Merger Sub and the Company hereby agree as follows:

1. Merger Consideration. Section 1.5(a)(iii) of the Merger Agreement is hereby amended and restated as follows:

"except as provided in clauses "(i)" and "(ii)" above, each share of Company Common Stock then outstanding (other than Dissenting Shares) shall be converted into the right to receive \$8.20 in cash, without interest (the "**Merger Consideration**"). From and after the Effective Time, all such Shares shall no longer be outstanding and each holder of a Certificate representing any such Shares shall cease to have any rights with respect thereto, except the right to receive, upon surrender of such Certificate in accordance with Section 2.1, the Merger Consideration pursuant to this Section 1.5(a);"
2. Termination Fee. Section 7.3(b) of the Merger Agreement is hereby amended by deleting the number "\$1,788,000.00" and inserting in its place the number "2,180,582.00".
3. Option Exchange Ratio:. The third sentence of Section 5.9(a) is hereby amended by deleting the number "0.6552" and inserting in its place the number "0.7715" and by deleting the number "7.00" and inserting in its place the number "8.20."
4. Mailing of Proxy Statement Supplement. Within 3 Business Days of the date hereof, the Company will mail to its stockholders a supplement to the Proxy Statement reflecting all additional material information through the date hereof.

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5. Agreement. All defined terms used but not defined in this Amendment shall have the meaning assigned to them in the Merger Agreement. All references to the "Agreement" set forth in the Merger Agreement shall be deemed to be references to the Merger Agreement as amended by this Amendment.
6. Headings. The headings as set forth in this Amendment are for convenience of reference purposes only and shall not affect or be deemed to affect in any way the meaning or interpretation of this Amendment or any term or provision hereof.
7. Confirmation of the Merger Agreement. Other than as expressly modified pursuant to this Amendment, all provisions of the Merger Agreement remain unmodified and in full force and effect. The provisions of Sections 8.1-8.18 of the Merger Agreement shall apply to this Amendment *mutatis mutandis*.

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IN WITNESS WHEREOF, the undersigned have caused this Amendment to be executed by their respective duly authorized officers to be effective as of the date first above written.

KRATOS DEFENSE & SECURITY SOLUTIONS, INC.

By: /s/ Eric DeMarco
 Name: Eric DeMarco
 Title: President and Chief Executive Officer

HAMMER ACQUISITION INC.

By: /s/ Eric DeMarco
 Name: Eric DeMarco
 Title: President and Chief Executive Officer

HENRY BROS. ELECTRONICS, INC.

By: /s/ James E. Henry

Name: James E. Henry

Title: CEO



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FOR IMMEDIATE RELEASE

KRATOS DEFENSE & SECURITY SOLUTIONS EXECUTES AMENDMENT TO THE AGREEMENT AND PLAN OF MERGER WITH HENRY BROS. ELECTRONICS, INC.

SAN DIEGO, CA, November 15, 2010 — Kratos Defense & Security Solutions, Inc. (NASDAQ: KTOS), a leading National Security Solutions provider, today announced that it has executed an Amendment to the Agreement and Plan of Merger with Henry Bros. Electronics, Inc. (HBE), whereby the merger consideration has been increased to \$8.20 per share in cash for all of the issued and outstanding shares of HBE common stock. Additionally, the transaction termination fee has been increased to \$2,180,582.

The Agreement and Plan of Merger was amended, and the merger consideration and termination fee were increased, as a result of HBE notifying us pursuant to the terms of the merger agreement that they have received an acquisition proposal from Diebold, Inc. (Diebold) a publicly traded company with significant presence in the New York/New Jersey market. Pursuant to its proposal, Diebold offered to acquire 100% of the outstanding capital stock of HBE for \$8.00 per share in cash. The Diebold proposal did not include a financing contingency.

The definitive proxy statement related to Kratos' proposed acquisition of HBE has been filed with the U.S. Securities and Exchange Commission, and HBE's Shareholder Meeting to vote on the proposed transaction is scheduled for December 9, 2010, which is also the date that we expect to close the transaction. The executed Amendment will not change the December 9, 2010 HBE Shareholder meeting date, or the expected transaction closing date.

About Kratos Defense & Security Solutions

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.

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Additional Information

In connection with the acquisition, HBE has filed a definitive proxy statement and other relevant documents concerning the transaction with the SEC. STOCKHOLDERS OF HBE ARE URGED TO READ THE PROXY STATEMENT AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Investors and security holders can obtain free copies of the proxy statement and other documents when they become available by contacting Investor Relations, Kratos Defense & Security Solutions, 4820 Eastgate Mall, San Diego, CA 92121. In addition, documents filed with the SEC by HBE will be available free of charge at the SEC's website at <http://www.sec.gov>.

Kratos and its executive officers and directors may be deemed to be participants in the solicitation of proxies from the stockholders of HBE in favor of the acquisition. Information about the executive officers and directors of Kratos and their ownership of Kratos common stock is set forth in the proxy statement for Kratos's 2010 Annual Meeting of Stockholders, which was filed with the SEC on April 1, 2010.

Notice Regarding Forward-Looking Statements

This news release contains certain forward-looking statements that involve risks and uncertainties, including, without limitation, statements relating to Kratos' intention to acquire HBE. 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 Company's business in general, see the risk disclosures in the Company's SEC filings, including its most recent Annual Report on Form 10-K for the year ended December 27, 2009 and its Quarterly Reports on Form 10-Q filed from time to time with the SEC. All forward-looking statements included in this news release are based on information available at the time of the release. We are under no obligation to (and expressly disclaim any such obligation to) update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

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