

KRATOS DEFENSE & SECURITY SOLUTIONS, INC.

Form 8-K

January 07, 2010

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

December 31, 2009

Date of Report (Date of earliest event reported)

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
(IRS Employer Identification No.)

4810 Eastgate Mall, San Diego, CA
(address of principal executive offices)

92121
(Zip Code)

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

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

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

Item 1.01. Entry Into a Material Definitive Agreement.

On December 31, 2009, Kratos Defense & Security Solutions, Inc. (the “Company”) entered into a sublease agreement with Amylin Pharmaceuticals, Inc. (“Amylin”) for office space consisting of approximately 34,000 square feet for its Corporate headquarters in San Diego, California. The lease term is from May 1, 2010 through September 30, 2018, with rent payments commencing on May 1, 2011. The monthly rent for the first twelve months is \$1.29 per square foot, with a 3 percent escalation for each subsequent twelve month period thereafter, plus an estimated \$0.49 per square foot charge for the Company’s share of certain facility expenses and taxes. The total aggregate rent payments due to Amylin under the sublease agreement for the term of the sublease are approximately \$5.7 million. The payments due under the sublease do not include utility costs related to the facility. In connection with the execution of the sublease agreement, the Company issued a letter of credit for approximately \$72,000 for the security deposit.

On December 31, 2009, the Company entered into a Separation Agreement and General Release (the “Release”) with Howard Bates, the Company’s former President of Kratos Government Solutions, a wholly owned subsidiary of the Company. The Release provided for continuing salary and benefits payments to Mr. Bates during 2010, consistent with his existing employment agreement with the Company which the Company assumed when it acquired Haverstick in 2007. The Release also included a general release of all claims by Mr. Bates.

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

Information in the first paragraph under Item 1.01 is incorporated by reference to this Item.

Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers

Effective December 31, 2009, Howard Bates, ceased to be President of Kratos Government Solutions, a wholly owned subsidiary of the Company. Effective immediately, Eric M. DeMarco, the Company’s CEO and President, will fill the role of President of Kratos Government Solutions.

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.

Date: January 7, 2010

By: /s/ Deanna H.
Lund

Deanna H. Lund
Executive Vice President, Chief Financial Officer

; The Company's Board of Directors consists of three classes of directors, with each class of directors serving for a three-year term ending in a successive year. The Company's current Class I Directors are Messrs. Dempsey, Bogden and Jensen; the Class II Directors are Messrs. Hayes and Stuckert; and the Class III Directors are Messrs. Haase, Howell and Worth. Donald Worth will serve as a Class III director until his retirement from the Board of Directors at the end of his current term, which expires upon the election of directors at the Annual Meeting.

If the proxy is properly completed and received in time for the Annual Meeting, and if the proxy does not indicate otherwise, the represented shares will be voted **FOR** M. Craig Haase and S. Oden Howell, Jr. as Class III Directors of the Company. Mr. Worth is retiring and will not stand for re-election, and upon his retirement the size of the Board of Directors will be reduced to seven directors. If either of the nominees for election as a Class III Director should refuse or be unable to serve (an event that is not anticipated), the proxy will be voted for a substitute nominee who is designated by the Board of Directors. Each Class III Director elected shall serve until the 2014 Annual Meeting, or until his successor is elected and qualified.

Vote Required for Approval

The Company's Amended and Restated Bylaws ("bylaws") require that each director be elected by the majority of votes cast at a meeting at which a quorum is present with respect to such director in uncontested elections (the number of shares voted "for" a director nominee must exceed the votes cast "against" that director nominee). In a contested election (a situation in which the number of nominees exceeds the number of directors to be elected), the standard for election of directors would be a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors. This year's election is expected to be an uncontested election, and the majority vote standard will apply. If a nominee who is serving as a director is not elected at the Annual Meeting, Delaware law provides that the director would continue to serve on the Board as a "holdover director." Under the Company's bylaws, each director nominee who is serving as a director has submitted a conditional resignation that becomes effective if such director is not elected and the Board accepts the resignation. In that situation, the Compensation, Nominating and Governance Committee would make a recommendation to the Board of Directors on whether to accept or reject the resignation, or whether to take other action. The Board of Directors will act on the Compensation, Nominating and Governance Committee's recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date of the certification of the election results. Absent a determination by the Board that it is in the best interest of the Company for a director who has failed to be elected to remain on the Board, the Board will accept the resignation. The director who tenders his resignation will not participate in the decision of the Board of Directors. If a nominee who was not already serving as a director fails to receive a majority of votes cast with respect to his election at the Annual Meeting, Delaware law provides that the nominee does not serve on the Board as a "holdover director." All of the Class III director nominees are currently serving on the Board of Directors.

Information concerning the nominees for election as directors is set forth below under "Directors and Officers."

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR"
EACH OF THE CLASS III DIRECTOR NOMINEES.**

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DIRECTORS AND OFFICERS

The following is information regarding the directors and executive officers of the Company related to their names, position with the Company, periods of service and experience. The persons who are nominated for election as directors at the Annual Meeting are indicated with an asterisk. Each Director brings a strong and unique background and set of skills to the Board such as board service, leadership experience, finance experience and industry experience in the areas of mining, operations, manufacturing, marketing, law and international business.

Stanley Dempsey, 72, Class I Director (term expires in 2012), Chairman of the Board of Directors since 1988 and a Director since 1983.

Chairman of the Board of Directors since August 1988. Executive Chairman of the Board of Directors from July 2006 through December 2008. Chairman and Chief Executive Officer of the Company from August 1988 until June 2006. President of the Company from May 2002 until August 2003. President and Chief Operating Officer of the Company from July 1987 to July 1988. From 1983 through June 1986, Mr. Dempsey was a partner in the law firm of Arnold & Porter and a principal in Denver Mining Finance Company, a firm that provides financial, management, and advisory services to the mining industry. From 1964 through 1983, Mr. Dempsey was employed by AMAX, Inc., formerly a major international mining firm, serving in various managerial and executive capacities. Mr. Dempsey holds a Bachelor of Science degree in geology, a J.D. from the University of Colorado and completed the Program for Management Development at the Harvard Business School. He was awarded an Honorary Doctor of Engineering degree by the Colorado School of Mines in 2006, received the 2007 William Lawrence Saunders Gold Medal Award from the Society of Mining Engineers and the 2008 Colorado Section Lifetime Achievement Award from the Society of Metallurgy and Exploration. Mr. Dempsey served as a director of Taranis Resources, Inc., an exploration company listed on the TSX Venture Exchange, from January 2006 to August 10, 2010, when his term expired.

Director Qualifications:

Board Service Current Chairman of the Board. Board member of Taranis Resources, Inc. until August 10, 2010, and involved in various mining-related associations.

Leadership Experience Extensive experience as Executive Chairman, Chief Executive Officer and President of Royal Gold. During his tenure with AMAX, he developed a pioneering approach to management of the environmental and community acceptance issues that arose to challenge the mining industry starting in the late 1960's. He served as Chairman of the Tax Committee, is a past Chairman of the Colorado Mining Association, and a past member of the boards of the Nevada and Northwest Mining Associations. Mr. Dempsey also served on the board of the National Mining Association, and as Chair of its Public Lands Committee. Mr. Dempsey was one of the first developers of a publicly traded precious metals royalty company. He successfully converted Royal Gold from an exploration and producing company to an owner of royalties in the early 1990's.

Finance Experience Prior service as Principal of Denver Mining Finance Company, where he had direct supervision of various mandates from several European mining firms to acquire mining assets in the United States.

Industry, Mining and International Business Experience Mr. Dempsey was a Vice President of AMAX Inc., a major multinational mining company, and was Chairman of AMAX Australia, a position which involved all aspects of AMAX's businesses in Australia and Papua New Guinea. He was directly involved in all aspects of the business, including strategic planning, finance, relations with joint venture counterparties, and government relations.

Law Extensive experience as a practicing attorney. Mr. Dempsey has a strong background in mining law and in creating the structures for multiparty mining ventures. He was directly

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involved in development of the Rocky Mountain Mineral Law Foundation's ("RMMLF") Form 5, a standard form for mining joint ventures that has gained wide acceptance in the mining industry. He has also specialized in the law related to mining royalties, and has written papers on the subject for RMMLF.

Tony Jensen, 49, Class I Director (term expires in 2012), President and Chief Executive Officer since 2006 and a Director since 2004.

President and Chief Executive Officer of the Company since July 2006. President and Chief Operating Officer of the Company from August 2003 until June 2006. Mr. Jensen has over 25 years of mining industry experience, including 18 years with Placer Dome Inc. His corporate and operations experience were developed both in the United States and Chile where he occupied several senior management positions in mine production, corporate development and finance. Before joining the Company, he was the Mine General Manager of the Cortez Joint Venture from August 1999 to June 2003. Mr. Jensen was Director, Finance and Strategic Growth and Treasurer for Placer Dome Latin America from 1998 to 1999 and SubGerente General de Operaciones for Compania Minera Mantos de Oro, a subsidiary of Placer Dome Latin America from 1995 to 1998. Mr. Jensen holds a Bachelor of Science degree in Mining Engineering from South Dakota School of Mines and Technology, and a Certificate of Finance from Golden Gate University.

Director Qualifications:

Board Service Current Director of Royal Gold, prior Chairman and current member of the Industrial Advisory Board of the South Dakota School of Mines and Technology, a director of the National Mining Association ("NMA") and member of the NMA Finance Committee.

Leadership Experience Extensive operations, corporate and executive experience with Placer Dome Inc. and current President and Chief Executive Officer of Royal Gold.

Finance Experience Actively involved in the financial review of Royal Gold's results as well as prior experience as Director, Finance and Strategic Growth, and Treasurer of Placer Dome Latin America, and current member of the NMA's Finance Committee.

Industry, Mining and International Business Experience In addition to active board membership, prior Chairman and board member of the Nevada Mining Association and Colorado Mining Association as well as extensive industry, mining, acquisition, and international business experience through various roles with Royal Gold and Placer Dome Inc., including foreign assignments in Canada and Chile.

Operations Prior domestic and international experience as mine engineer, operations supervisor, and mine manager while based at three mining operations for Placer Dome Inc., as well as review, development and acquisition assignments at various other operations and properties.

Marketing Extensive experience in corporate development for Royal Gold and Placer Dome.

Gordon J. Bogden, 53, Class I Director (term expires 2012), Vice Chairman, Mining & Metals, Standard Chartered Bank, a Director since August 1, 2011.

Mr. Bogden is currently Vice Chairman, Mining & Metals, Standard Chartered Bank, which recently acquired Gryphon Partners Canada Inc., an independent investment bank that Mr. Bogden co-founded, and where he was President and Managing Partner, since 2008. From October 2003 to October 2007, he was Vice Chairman and Head of Global Metals and Mining at National Bank Financial Inc. Mr. Bogden served as Senior Investment Banker with Beacon Group Advisors Inc. from 2001 to 2003, and as Director, Investment Banking for Newcrest Capital Inc. from 1999 to 2000. Mr. Bogden holds a Bachelor

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of Science (Engineering) degree in geophysics from Queen's University and the Institute of Corporate Directors Designation from the Rotman School of Management, University of Toronto.

Director Qualifications:

Board Service Current Director of Royal Gold. Current Chairman of Volta Resources Inc., and a Director of Camino Minerals Corp. and Aeroquest International Limited. Previous board member of International Royalty Corporation, Canplats Resources Corp., IAMGold Corporation, Defiance Mining Corporation, BacTech Enviromet Corporation, High River Gold Ltd. and Explorations Minière du Nord Ltée.

Finance and International Business Experience Currently provides corporate advisory services to mining companies on strategy and mergers and acquisitions. Experience in raising capital in the international debt and equity markets. Prior service as Vice Chairman and Head of Global Metals and Mining for National Bank Financial Inc.; President of Beacon Group Advisors Inc.; Managing Director of N M Rothschild & Sons Canada Limited; and Managing Director, Mining Group for CIBC Wood Gundy Securities.

Leadership Experience Extensive experience building businesses and managing professional teams focused on advisory assignments for boards of directors and senior management for some of the largest mining companies in the world on mergers, acquisitions, and restructurings.

Industry and Mining Experience Geophysicist and engineer designing and managing mining exploration and development programs for international mining companies.

***M. Craig Haase**, 68, Class III Director (term expires 2011), retired mining executive, a Director since 2007.

Mr. Haase served as Director, Executive Vice President and Chief Legal Officer of Franco-Nevada Mining Corporation, a publicly-traded precious metals royalty company, for more than 15 years prior to its merger with Newmont Mining Corporation in 2002. He served as a Director of Newmont from March 2002 until he retired in May 2003. He served as Director, Executive Vice President and Chief Legal Officer of Euro-Nevada Mining Corporation from 1987 to 1999 when Euro-Nevada merged with Franco-Nevada. Mr. Haase was also Chairman, Chief Executive Officer and Director of Gold Marketing Corporation of America, Inc., a physical gold export company, from 1994 to 2002. Mr. Haase served as Vice Chairman of both Franco-Nevada Mining Corporation, Inc. and Euro-Nevada Mining Corporation, Inc. from 1990 until he retired in 2002. He was engaged in private law practice from 1971 to 1990 (the last nine years as senior partner of Haase and Harris), with an emphasis in mining and commercial law and litigation. Mr. Haase holds a J.D. from the University of Illinois and a Bachelor of Arts degree in Geology from Northwestern University.

Director Qualifications:

Board Service Current Compensation, Nominating and Governance Committee Chairman of Royal Gold. Previous board member of Newmont Mining, Euro-Nevada, Franco-Nevada and Gold Marketing Corporation of America.

Leadership Experience Prior service as Chief Executive Officer, Executive Vice President and Chief Legal Officer of international mining companies.

Industry and Mining Experience More than 20 years of executive experience in the mining industry.

Law Extensive experience as a practicing attorney, with more than 35 years representing numerous international mining companies in property management, acquisition and merger transactions, mining finance, capital acquisition, credit transactions, and litigation.

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Geology Research geologist with U.S. Army Corps of Engineers for two years.

Industry Association Participation Past Director of Western State College Foundation; Current Advisory Director of Professional Land and Resource Management Program at Western State College; past Vice Chairman of Hard Minerals Committee of the American Bar Association; past Trustee-at-Large of the Rocky Mountain Mineral Law Foundation and member of the Executive Committee; past Director of Nevada Mining Association; and past Director of Northwest Mining Association; member of the Nevada State, U.S. District Court, Ninth Circuit Court of Appeals, U.S. Tax Court, and U.S. Supreme Court bars.

William Hayes, 66, Class II Director (term expires 2013), retired mining executive, a Director since 2008.

Mr. Hayes served in various management positions with Placer Dome, Inc. from 1988 to 2006. He was Executive Vice President for Project Development and Corporate Affairs from 2004 to 2006. From 2000 to 2004, he served as Executive Vice President for USA and Latin America, and from 1994 to 2000 as Executive Vice President for Latin America. From 1991 to 1994, he served as Chief Executive Officer of Mantos de Ore, Chile, at the La Coipa mine, and was Chief Financial Officer from 1988 to 1991. Mr. Hayes also served as Vice President and Treasurer of Placer Dome from 1991 to 1994. From 1972 to 1987, Mr. Hayes served in various financial positions with Exxon Corporation. Mr. Hayes holds a Bachelor of Arts and Master of Arts degree in International Management from the American Graduate School of International Management and a Bachelor of Arts degree in Political Science from the University of San Francisco.

Director Qualifications:

Board Service Member of the Audit Committee of Royal Gold. A Director (since 2006) of Antofogasta PLC, a FTSE 100 Company London Stock Exchange, engaged in mining, transportation and water distribution. Senior Independent Director, Audit Committee Chairman and member of the Nomination Committee and Remuneration Committee of Antofogasta PLC since June 2011. Subsidiary Board membership of Antofogasta: Chairman and Director of Tethyan Copper Company a fifty-fifty joint venture between Antofogasta and Barrick related to the Reko Diq Project in Pakistan; Director of Twin Metals a forty-sixty joint venture between Antofogasta and Duluth Metals related to the Nokomis Project in Minnesota.

Leadership Experience, Finance Experience and International Business Experience Prior service as Executive Vice President for U.S. and Latin America, Placer Dome Inc.; Executive Vice President, Project Development and Corporate Relations, Placer Dome Inc.; Vice President and Treasurer, Placer Dome Inc.; and Regional Treasurer and Controller, Exxon Minerals.

Industry Experience Previously served as President of the Mining Council in Chile and President of the Gold Institute in Washington D.C.

Mining Experience Previously responsible for six operating mines in Chile and the U.S. and five development projects in the U.S., Chile, Dominican Republic and Africa.

Marketing Extensive experience in project development and corporate affairs.

***S. Oden Howell, Jr.**, 71, Class III Director (term expires 2011), President of Howell & Howell Contractors, Inc., a Director since 1993.

Mr. Howell has been President of Howell & Howell Contractors, Inc., a renovation contractor, and industrial and commercial painting contractor, since 1988. He is the Secretary/Treasurer of LCM Constructors, Inc., a general construction company and Secretary/Treasurer of SemperFi

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Constructors, LLC, a service-disabled, veteran-owned small business. From 1972 until 1988, Mr. Howell was Secretary/Treasurer of Howell & Howell, Inc., an industrial and commercial painting contractor firm.

Director Qualifications:

Board Service Current member of the Compensation, Nominating and Governance Committee of Royal Gold. Chairman of Keller Manufacturing Company and Paragon Door Designs, Inc. Trustee of Lindsey Wilson College in Columbia, Kentucky.

Leadership Experience Extensive experience as owner and president of a private enterprise.

Finance Experience Experience as Secretary/Treasurer of a private enterprise and trustee of a private university.

Industry and Manufacturing Experience More than 20 years of industrial and manufacturing experience.

James W. Stuckert, 73, Class II Director (term expires 2013), senior executive of Hilliard Lyons, Inc., a Director since 1989.

Mr. Stuckert has been a Senior Executive of Hilliard, Lyons, Inc., since 2004, a full service financial asset management firm located in 13 Midwestern states. Mr. Stuckert joined Hilliard, Lyons in 1962 and served in several capacities including Chief Executive Officer prior to being named Chairman in December 1995. He served as Chairman from December 1995 to December 2003. Mr. Stuckert holds a Bachelor of Science degree in Mechanical Engineering and a Master of Arts degree in Business Administration from the University of Kentucky.

Director Qualifications:

Board Service Current Chairman of the Audit Committee and member of the Compensation, Nominating and Governance Committee of Royal Gold. Previous Chairman of Hilliard, Lyons, Inc. and past Chairman of Senbanc Fund, Thomas Transportation, Inc. and United Farm Tool, Inc. Previous Board member of Securities Industry Association and Databeam, Inc.

Leadership Experience Senior Executive and former Chief Executive Officer of Hilliard, Lyons, LLC. Past member of the Nominating Committee of the New York Stock Exchange. Chair of the Regional Firms Committee of the Securities Industry Association. Member of the Board of Trustees, Chairman of the Development Council, past Chairman of a capital campaign (the first \$1 billion) and past President of the National Alumni Association for the University of Kentucky.

Finance Experience The Board of Directors has determined that Mr. Stuckert is an Audit Committee Financial Expert. Extensive financial management experience and satisfies the NASDAQ financial literacy and sophistication requirements. Chair of the Investment Committee for a hospital group (\$650 million in assets) and Chair of the Investment Committee for the University of Kentucky Endowment (\$950 million in assets).

Officers:

See page 10 for Mr. Jensen, President and Chief Executive Officer.

Karen Gross, 57, Vice President and Corporate Secretary. Ms. Gross has been Vice President of the Company since June 1994 and Corporate Secretary since 1989. From 1987 until 1989, Ms. Gross was the Assistant Secretary to the Company. Ms. Gross is in charge of

investor relations, public relations and ensuring the Company's compliance with various corporate governance standards. Ms. Gross is

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involved with the National Investor Relations Institute, The Society of Corporate Secretaries and Governance Professionals, and is a director of the Denver Gold Group, a mining-related association. Ms. Gross holds a Bachelor of Arts degree in Business Administration from the University of Colorado-Denver.

William Heissenbuttel, 46, Vice President of Corporate Development. Mr. Heissenbuttel has been Vice President of Corporate Development since February 2007. He was Manager of Corporate Development from April 2006 through January 2007. Mr. Heissenbuttel brings more than 20 years of corporate finance experience with 15 of those years in project and corporate finance in the metals and mining industry. Mr. Heissenbuttel served as Senior Vice President from February 2000 to April 2006 and Vice President from 1999 to 2000 at N M Rothschild & Sons (Denver) Inc. From 1994 to 1999, he served as Vice President and then as Group Vice President at ABN AMRO Bank N.V. From 1987 to 1994, he was a Senior