

Carrai Phillip D  
 Form 4  
 January 04, 2012

**FORM 4**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0287  
 Expires: January 31, 2005  
 Estimated average burden hours per response... 0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
 Carrai Phillip D

2. Issuer Name and Ticker or Trading Symbol  
 KRATOS DEFENSE & SECURITY SOLUTIONS, INC. [KTOS]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)  
 4820 EASTGATE MALL  
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)  
 01/02/2012

\_\_\_\_ Director \_\_\_\_\_ 10% Owner  
 Officer (give title below) \_\_\_\_\_ Other (specify below)  
 President, TTS Division

SAN DIEGO, CA 92121  
 (City) (State) (Zip)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)	
			Code	V	Amount or Price			
Common Stock	01/02/2012		M		3,000 (1)	A	\$ 0 8,189 (5) (6)	D
Common Stock	01/02/2012		M		2,000 (2)	A	\$ 0 10,189 (5) (6)	D
Common Stock	05/27/2011		G	V	3,298	A	\$ 0 19,394	I

by The Carrai Family Trust dated 1/24/2011, Phillip D. Carrai and Angela M.

Carrai  
Trustees

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474  
(9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	Amount or Number of Shares
Restricted Stock Unit	(3)	01/02/2012		M	3,000	(1) 01/02/2020	Common Stock	3,000
Restricted Stock Unit	(3)	01/02/2012		M	2,000	(2) 01/02/2019	Common Stock	2,000
Restricted Stock Unit	(3)	01/03/2012		A	30,000	(4) 01/03/2022	Common Stock	30,000

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Carrai Phillip D 4820 EASTGATE MALL SAN DIEGO, CA 92121			President, TTS Division	

## Signatures

Phillip D. Carrai, by Eva Yee,  
Attorney-In-Fact

01/04/2012

\_\_Signature of Reporting Person

Date

## Explanation of Responses:

\* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Common Stock issued to reporting person pursuant to settlement of vested shares under Restricted Stock Unit grant dated January 2, 2010, where 15,000 Restricted Stock Units granted vest in five equal installments annually beginning on January 2, 2011.

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- (2) Common Stock issued to reporting person pursuant to settlement of vested shares under Restricted Stock Unit grant dated January 2, 2009, where 10,000 Restricted Stock Units granted vest in five equal installments annually beginning on January 2, 2010.
- (3) Each restricted stock unit represents a contingent right to receive one share of Issuer's common stock.
- (4) The restricted stock units vest 100% five (5) years from the date of grant, unless earlier vested upon a change in control pursuant to the terms of the restricted stock unit agreement.
- (5) Includes 4,037 shares held in Issuer 401(k) Plan and 1,152 shares purchased through Issuer's Employee Stock Purchase Plan.
- (6) Excludes the gross number of shares reported on Form 3 dated January 10, 2011, which were transferred, net of shares tendered for payment of minimum tax liability, to The Carrai Family Trust dated 1/24/2001, Phillip D. Carrai and Angela M. Carrai Trustees.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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