

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

| OMB APPROVAL | |
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| OMB Number: | 3235-0287 |
| 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).

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

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|--|--|---|
| 1. Name and Address of Reporting Person* <u>CARANO BANDEL L.</u> (Last) (First) (Middle) <u>C/O OAK INVESTMENT PARTNERS</u> <u>ONE GORHAM ISLAND</u> (Street) <u>WESTPORT CT 06880</u> (City) (State) (Zip) | 2. Issuer Name and Ticker or Trading Symbol <u>KRATOS DEFENSE & SECURITY SOLUTIONS, INC. [KTOS]</u> | 5. Relationship of Reporting Person(s) to Issuer (Check all applicable) <input checked="" type="checkbox"/> Director 10% Owner Officer (give title below) Other (specify below) |
| | 3. Date of Earliest Transaction (Month/Day/Year) <u>09/10/2010</u> | |
| | 4. If Amendment, Date of Original Filed (Month/Day/Year) | |

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 Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|------------|-------|---|--|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |

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 Securities Underlying Derivative Security (Instr. 3 and 4) | 8. Price of Derivative Security (Instr. 5) | 9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4) | 10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 11. Nature of Indirect Beneficial Ownership (Instr. 4) |
|--|--|--------------------------------------|--|--------------------------------|---|--|-----|--|-----------------|---|--|--|---|--|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | | | | | |
| Director Option (Right to Buy) | \$10.97 | 09/10/2010 | | A | | 1,094 ⁽¹⁾ | | 09/10/2010 ⁽²⁾ | 09/10/2020 | Common Stock | | 1,094 | D ⁽⁴⁾ | |

Explanation of Responses:

- Represents options received in lieu of cash fees from Mr. Carano's service on the Issuer's Board of Directors as approved by the Board of Directors. The grant is effective September 10, 2010.
- The Director Options became fully exercisable on the date of the grant.
- Not applicable
- Includes Director Option to purchase 1077 shares of Common Stock, which is held by Mr. Carano on behalf of Oak Investment Partners X, Limited Partnership ("Oak X, L.P."); and Director Option to purchase 17 shares of Common Stock, which is held by Mr. Carano on behalf of Oak X Affiliates Fund, Limited Partnership ("Oak X Affiliates, L.P."). Mr. Carano is a Managing Member of Oak Associates X, L.L.C., the General Partner of Oak X, L.P. and a Managing Member of Oak X Affiliates, L.L.C., the General Partner of Oak X Affiliates, L.P.

Remarks:

Remarks Bandel L. Carano is a Director of Kratos Defense & Security Solutions, Inc. Mr. Carano is a Managing Member of Oak Associates X, L.L.C., the General Partner of Oak X, L.P.; and a Managing Member of Oak X Affiliates, L.L.C., the General Partner of Oak X Affiliates, L.P. Oak X, L.P. and Oak X Affiliates, L.P. are not reporting persons on this Form 4 because they are no longer subject to Section 16, as they are no longer 10% owners Each Reporting Person disclaims the existence of a "group" and disclaims beneficial ownership of any securities (except to the extent of such Reporting Person's pecuniary interest in such securities) other than any securities reported herein as being directly owned by such Reporting Person, and this report shall not be deemed an admission that such Reporting Person is the beneficial owner of any such securities for purposes of Section 16 or for any other purpose.

Bandel L. Carano 09/14/2010
 ** Signature of Reporting Person Date

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

* 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).

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

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.