

KRATOS DEFENSE & SECURITY SOLUTIONS, INC.
 Form 4
 January 05, 2015

FORM 4

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

OMB APPROVAL

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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 *
 MILLS THOMAS E IV

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)
 12/31/2014

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
 President, Mod. Sys. Div.

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 (D) Price | | | |
| Common Stock | 01/03/2015 | | M | 2,000 (1) A \$ 0 | 50,497 (4) | D | |

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

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 control number.

SEC 1474 (9-02)

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

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| 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) | | | | |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|------------------|-----------------|--------------|----------------------------|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares |
| Restricted Stock Unit | (3) | 01/03/2015 | | M | | | 2,000 | (1) | (1) | Common Stock | 2,000 |
| Restricted Stock Unit | (3) | 12/31/2014 | | A | | | 30,000 | (2) | (2) | Common Stock | 30,000 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|---------------------------|-------|
| | Director | 10% Owner | Officer | Other |
| MILLS THOMAS E IV 4820 EASTGATE MALL SAN DIEGO, CA 92121 | | | President, Mod. Sys. Div. | |

Signatures

Thomas E. Mills, by Eva Yee,
Attorney-In-Fact

01/05/2015

__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 RSU granted on January 3, 2014, where 20,000 RSUs were granted, 10,000 of which vest 100% on the five year anniversary of the date of grant, unless earlier vested pursuant to the terms of the RSU agreement, and 10,000 of which vest 20% upon each 10% increase in the closing market price of the Issuer's common stock measured from the RSU grant date through the 10-year anniversary, provided that the first vesting shall not occur until the first anniversary of the RSU grant date, at which time the percentage of RSUs shall vest based on increases in the closing market price measured from the RSU grant date through the first anniversary.

(2) 15,000 of the RSUs vest 100% on the five year anniversary of the grant date, unless earlier vested or terminated pursuant to the terms of the RSU agreement. The other 15,000 RSUs vest 20% upon each 10% increase in the closing market price of the Issuer's common stock measured from the RSU grant date through the 10-year anniversary of the RSU grant date, unless earlier vested or terminated pursuant to the terms of the RSU agreement.

(3) Each RSU represents a contingent right to receive one share of Issuer's common stock.

(4) Includes 7,414 shares purchased through Issuer's Employee Stock Purchase Plan and 3,541 shares held in the Issuer's 401(k) Plan.

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

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