

**KRATOS DEFENSE & SECURITY SOLUTIONS,
INC. CHARTER OF THE AUDIT COMMITTEE OF
THE
BOARD OF DIRECTORS**

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I. STATEMENT OF POLICY

This Charter specifies the scope of the responsibilities of the Audit Committee (the “*Committee*”) of the Board of Directors (the “*Board*”) of Kratos Defense & Security Solutions, Inc. (the “*Company*”) and the manner in which those responsibilities shall be performed, including its structure, processes and membership requirements.

The primary purpose of the Committee is to oversee the accounting and financial reporting processes of the Company and the audits of the Company’s financial statements, assist the Board in fulfilling its oversight responsibilities by reviewing and reporting to the Board on the integrity of the financial reports and other financial information provided by the Company to any governmental body or to the public, and on the Company’s compliance with legal and regulatory requirements as they may relate to the Company’s external direct and indirect financial reporting requirements. The Committee shall also review the qualifications, independence and performance and retain and approve the terms of engagement of the Company’s independent auditor, review the performance of the Company’s internal audit function and controls and prepare any reports required of the Committee under rules of the Securities and Exchange Commission (“*SEC*”).

The Company shall provide appropriate funding, as determined by the Committee, to permit the Committee to cover ordinary administrative expenses that are necessary or appropriate for it to perform its duties under this Charter, to compensate its advisors and to compensate any registered public accounting firm engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services or permissible non-audit services for the Company. The Committee, at its discretion, has the authority to initiate investigations, and hire legal, accounting or other outside advisors or experts to assist the Committee, as it deems necessary to fulfill its duties under this Charter. The Committee may also utilize the services of the Company’s regular legal counsel or other advisors to the Company. The Committee shall have full access to all books, records, facilities and personnel of the Company as it deems necessary to fulfill its duties under this Charter. The Committee may also perform such other activities consistent with this Charter, the Company’s

Bylaws and governing law, as the Committee or the Board deems necessary or appropriate.

II. ORGANIZATION AND MEMBERSHIP REQUIREMENTS

The Committee shall comprise three or more directors selected by the Board, each of whom shall, in the determination of the Board, satisfy (i) the independence and experience requirements of the Nasdaq Stock Market (“*Nasdaq*”), or any applicable listing exchange, provided that one director who does not meet the independence criteria of Nasdaq may be appointed to the Committee, subject to the approval of the Board pursuant to, and subject to the limitations under, the “exceptional and limited circumstances” exceptions as provided under the rules of Nasdaq, and (ii) the independence criteria set forth in Section 10A(m) of the Securities and Exchange Act of 1934, as amended, and such other requirements of the SEC and all other laws, rules and regulations applicable to Committee members as in effect from time to time. In addition, each member of the Committee must be able to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement. At least one member will qualify as an “audit committee financial expert” as defined by the SEC, and at least one member shall have past employment experience in finance or accounting, professional certification in accounting, or other comparable experience or background resulting in the individual being financially sophisticated, which may include being or having been a chief executive, chief financial officer or other senior officer with financial oversight responsibilities.

In addition, the Committee shall not include any member who:

- has participated in the preparation of the financial statements of the Company or any of its current subsidiaries at any time during the past three (3) years;
- accepts any consulting, advisory, or other compensatory fee, directly or indirectly, from the Company, other than in his or her capacity as a member of the Committee, the Board, or any other committee of the Board; or
- is an affiliate of the Company or any subsidiary of the Company, as defined by the rules of the SEC, other than a director who meets the independence requirements of Nasdaq.

The members of the Committee shall be appointed by the Board and shall serve until their successors are duly elected and qualified or their earlier resignation or removal. Any member of the Committee may be replaced by the Board. Members of the Committee who seek to serve concurrently on more than three other public company audit committees shall present such request to the Board, and the Board shall determine whether such service would impair the member’s ability to serve on this Committee. Unless a chairman is elected by the full Board, the members of the Committee may designate a chairman by majority vote of the full Committee membership.

III. MEETINGS

The Committee shall meet as often as it determines, but not less frequently than

quarterly. The Committee shall also meet prior to the commencement of and prior to the completion of the annual audit. Each meeting shall have a written agenda, and shall include a meeting with appropriate Company management, followed by an executive session with no management present. As part of its responsibility to foster open communication, the Committee will meet periodically with management, the director of the internal audit function, and the independent auditor in separate private sessions. A majority of the members shall represent a quorum of the Committee, and, if a quorum is present, any action approved by at least a majority of the members present shall represent the valid action of the Committee. The Committee may form and delegate authority to subcommittees, or to one or more members of the Committee, when appropriate. The Committee shall meet with the independent auditor, internal auditors and management on a quarterly basis to review the Company's financial statements and financial reports. The Committee shall maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board. The Committee will also record summaries of its recommendations to the Board, which will be incorporated as part of the minutes of the Board meeting at which those recommendations are presented.

IV. COMMITTEE AUTHORITY AND RESPONSIBILITIES

A. Oversight of the Company's Independent Auditor

To fulfill its responsibilities and duties, the Committee shall:

1. Be directly and solely responsible for the appointment, compensation, retention and oversight of any independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) engaged by the Company for the purpose of preparing or issuing an audit report or related work, with each such auditor reporting directly to the Committee.

2. Periodically review and discuss with the independent auditor (i) the matters required to be discussed pursuant to existing professional standards (including the Public Company Accounting Oversight Board's (the "PCAOB") Auditing Standard No. 16, *Communications with Audit Committees*, as it may be modified or supplemented), and (ii) any formal written statements received from the independent auditor consistent with and in satisfaction of the PCAOB's Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*, as amended, including without limitation, descriptions of (x) all relationships between the independent auditor and the Company, (y) any disclosed relationships or services that may impact the independent auditor's objectivity and independence and (z) whether any of the Company's senior finance personnel were recently employed by the independent auditor.

3. Consult with the independent auditor to assure the rotation of the lead audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit every five years, consider issues related to the timing of such rotation and the transition to new lead and reviewing partners, and consider whether, in order to assure continuing auditor independence, there should be regular rotation of the audit firm, and report to the Board on its conclusions.

4. Approve in advance the engagement of the independent auditor for all audit services and permissible non-audit services, based on independence, qualifications and, if applicable,

performance, and approve the fees and other terms of any such engagement; provided, however, that (i) the Committee may establish pre-approval policies and procedures for any engagement to render such services, provided that such policies and procedures (x) are detailed as to particular services, (y) do not involve delegation to management of the Committee's responsibilities hereunder and (z) provide that, at its next scheduled meeting, the Committee is informed as to each such service for which the independent auditor is engaged pursuant to such policies and procedures, and (ii) the Committee may delegate to one or more members of the Committee the authority to grant pre-approvals for such services, provided that (a) the decisions of such member(s) to grant any such pre-approval shall be presented to the Committee at its next scheduled meeting and (b) the Committee has established policies and procedures for such pre-approval of services consistent with the requirements of clauses (i)(x) and (y) above.

5. Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.

6. Approve as necessary the termination of the engagement of the independent auditor.

7. Establish policies for the hiring of employees or former employees of the independent auditor who participated in any capacity in the audit of the Company, taking into account the impact of such policies on auditor independence.

8. Regularly review with the independent auditor any significant difficulties encountered during the course of the audit, any restrictions on the scope of work or access to required information and any significant disagreement among management and the independent auditor in connection with the preparation of the financial statements. Review with the independent auditor any accounting adjustments that were noted or proposed by the independent auditor but that were "passed" (as immaterial or otherwise), or any communications between the audit team and the independent auditor's national office respecting auditing or accounting issues presented by the engagement.

9. Hold timely discussions with the independent auditor the critical accounting policies and practices used by the Company, all alternative treatments of financial information within generally accepted accounting principles ("GAAP") that the independent auditor has discussed with management, the ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditor, and other material written communications between the independent auditor and management, including, but not limited to, the management letter and schedule of unadjusted differences.

10. Obtain from the independent auditor assurances that the independent auditor has provided all notices of illegal acts as required by Section 10A(b) of the Securities Exchange Act of 1934, as amended.

11. Obtain and review, at least annually, a report prepared by the independent auditor describing (i) the auditing firm's internal quality-control procedures, (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditing firm, and any steps taken to deal with any such issues and (iii) all relationships between the

independent auditor and the Company.

12. Evaluate annually the qualifications, performance and independence of the independent auditor, including a review of whether the independent auditor's quality-control procedures are adequate and a review and evaluation of the lead partner of the independent auditor, taking into account the opinions of management and the Company's internal auditors, and report to the Board on its conclusions, together with any recommendations for additional action.

B. Review of Financial Reporting, Policies and Processes

To fulfill its responsibilities and duties, to the extent that it deems necessary or appropriate, and in addition to the items described above, the Committee shall:

1. Review and discuss with management and the independent auditor the Company's annual audited financial statements and any management letter, certification, report, opinion or review rendered by the independent auditor, and recommend to the Board whether the audited financial statements should be included in the Company's annual report on Form 10-K.

2. Review and discuss with management and the independent auditor the Company's quarterly financial statements, prior to public disclosure of quarterly financial information, if practicable, or filing with the SEC of the Company's quarterly report on Form 10-Q.

3. Review and discuss with management and the independent auditor the Company's disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing in the Company's periodic reports.

4. Review and discuss with management and the independent auditor, as appropriate, earnings press releases and other information provided to securities analysts and rating agencies, including any "pro forma" or adjusted financial information.

5. Review with management and the independent auditor any significant judgments made in management's preparation of the financial statements and the view of each as to the appropriateness of such judgments, including the effects of alternative GAAP methods on the financial statements.

6. Review with management its assessment of the effectiveness and adequacy of the Company's internal control structure and procedures for financial reporting ("*Internal Controls*"), review with the independent auditor the attestation to and report on the assessment made by management, and consider with management and the independent auditor whether any changes to the Internal Controls are appropriate in light of management's assessment or the independent auditor's attestation.

7. To the extent that it deems appropriate, review with management its evaluation of the Company's procedures and controls designed to assure that information required to be disclosed in its periodic public reports is recorded, processed, summarized and reported in such reports within the time periods specified by the SEC for the filing of such reports ("*Disclosure Controls*"), and consider whether any changes are appropriate in light of management's evaluation of the effectiveness of such Disclosure Controls.

8. Review and discuss with the independent auditor the reliability of the Company's forward-looking statements contained in quarterly and annual reports, proxy statements, and earnings press releases disseminated by the Company.

9. Review and discuss with management and the independent auditor any off-balance sheet transactions or structures and their effect on the Company's financial results and operations, as well as the disclosure regarding such transactions and structures in the Company's public filings.

10. Review with management and the independent auditor the effect of regulatory and accounting initiatives on the financial statements. Review any major issues regarding accounting principles and financial statement presentations, including any significant changes in selection of an application of accounting principles. Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the independent auditor or management.

11. Review any special audit steps adopted in light of material control deficiencies. Review with the independent auditor and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.

C. Oversight of the Company's Internal Auditor

To further fulfill its responsibilities and duties, and in addition to the items described above, the Committee shall:

1. Review and advise on the selection and removal of the internal audit director.
2. Review the activities, independence, and organizational structure of the internal audit function, as well as the qualifications of its personnel.
3. Periodically review, with the internal audit director, any significant difficulties, disagreements with management, or scope restrictions encountered in the course of the internal audit function's work. Review recommendations and findings of internal auditor to assure that appropriate actions are taken by management.
4. Periodically review, with the independent auditor, the internal audit function's responsibility, budget, and staffing.
5. The internal audit director shall functionally report directly to the Committee and shall meet with the Committee at the end of each fiscal year to discuss the transparency, effectiveness, and continued use of the policies and procedures set forth in the internal audit plan.
6. Review the ability of internal audit to raise issues to the appropriate level of authority, the proposed audit plans for the coming year.

D. Risk Management, Related Party Transactions, Legal Compliance and Ethics

To further fulfill its responsibilities and duties, and in addition to the items described above, the Committee shall:

1. Review with the chief executive officer and chief financial officer of the Company any report on significant deficiencies in the design or operation of the Internal Controls that could adversely affect the Company's ability to record, process, summarize or report financial data, any material weaknesses in Internal Controls identified by the auditors, and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's Internal Controls.

2. Review and approve any related-party transactions, after reviewing each such transaction for potential conflicts of interests and other improprieties.

3. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. Adopt, as necessary, appropriate remedial measures or actions with respect to such complaints or concerns.

4. Adopt a Code of Conduct for all employees and directors which meets the requirements of Item 406 of the SEC's Regulation S-K, and provide for the review and prompt disclosure to the public of any change in, or waiver of, such Code of Conduct by any executive officer or director. Review such Code of Conduct periodically and recommend such changes to such Code of Conduct as the Committee shall deem appropriate, and adopt procedures for monitoring and enforcing compliance with such Code of Conduct. As requested by the Board, review and investigate conduct alleged by the Board to be in violation of the Code of Conduct, and adopt as necessary or appropriate remedial, disciplinary and other measures with respect to such conduct. Consider the risk of management's ability to override the Company's internal controls.

5. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies that raise material issues regarding the Company's financial statements or accounting policies.

6. Discuss with the Company's chief legal officer, if any, or outside counsel any legal matters (including government investigations) brought to the Committee's attention.

7. Discuss guidelines and policies to govern the process by which risk assessment and management is undertaken and handled. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

8. Prepare the report required by the rules of the SEC to be included in the Company's annual proxy statement.

9. Develop and implement an annual performance evaluation of the Committee.

10. Regularly report to the Board on the Committee's activities, recommendations and

conclusions.

11. Review and reassess the Charter's adequacy at least annually and, if appropriate, recommend changes to the Board.

V. LIMITATION OF AUDIT COMMITTEE'S ROLE

Notwithstanding the foregoing, it shall be the responsibility of management to prepare the Company's financial statements and periodic reports and the responsibility of the independent auditors to audit those financial statements. These functions shall not be the responsibility of the Committee, nor shall it be the Committee's responsibility to ensure that the financial statements or periodic reports are complete and accurate, conform to GAAP or otherwise comply with applicable laws. Absent actual knowledge to the contrary, each member of the Committee shall be entitled to rely on the integrity of those persons within the Company and of the professionals and experts from which the Committee receives information and, absent actual knowledge to the contrary, the accuracy of the financial and other information provided to the Committee by such persons, professionals or experts.