



TELOS CORPORATION

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Purpose

To assist the board of directors in fulfilling its oversight responsibilities for (1) the integrity of the company's financial statements, (2) the company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of the company's internal audit function and the independent auditor.

Authority

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of the independent registered public accounting firm employed by the company to conduct the annual audit. This firm will report directly to the audit committee.
- Resolve any disagreements between management and the independent auditor regarding financial reporting.
- Pre-approve all auditing and permitted non-audit services performed by the company's independent registered public accounting firm.
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Establishment of procedures for receipt and treatment, and confidential, anonymous submission by employees, of complaints or concerns regarding accounting, internal controls over financial reporting, or auditing matters.
- Seek any information it requires from employees—all of whom are directed to cooperate with the committee's requests—or external parties.
- Meet with company officers, the independent auditor, or outside counsel, as necessary.
- Determine the appropriate funding to be provided by the company for the services of the independent auditor and other advisors to the committee and for the committee's administrative expenses.

Composition

The audit committee will consist of at least three and not more than five members of the board of directors.

Each committee member will (i) be an “independent director” as defined in the NASDAQ listing standards; (ii) meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended; (iii) not have participated in the preparation of the financial statements of the company or any current subsidiary of the company at any time during the past three years; and (iv) be able to read and understand fundamental financial statements, including the company’s balance sheet, income statement, and cash flow statement. The committee must have at least one member who, as determined by the board of directors, in an audit committee financial expert as defined in the rules of the Securities and Exchange Commission. No committee member shall simultaneously serve on the audit committee of more than two other public companies.

Meetings

The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or via tele- or video-conference. The committee may invite members of management, the independent auditor or others to attend meetings and provide pertinent information, as necessary. It will meet separately, periodically, with management, the independent auditor, and management performing the internal audit function. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

Responsibilities

The committee will carry out the following responsibilities:

1. Financial Statements

- Review significant accounting and reporting issues and understand their impact on the financial statements. These issues include:
 - Complex or unusual transactions and highly judgmental areas.
 - Major issues regarding accounting principles and financial statement presentations, including any significant changes in the company’s selection or application of accounting principles.
- Review with management and the independent auditor the results of the audit, including any difficulties encountered.
- Discuss the annual audited financial statements and quarterly financial statements with management and the independent auditor, including the company’s disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

- Annually produce the Report of the Audit Committee to be included in the company's annual proxy statement in accordance with the applicable rules of the Securities and Exchange Commission.

2. Internal Control

- Review and discuss with appropriate members of management and the independent auditor management's assessment of internal control over financial reporting to be included in the company's annual report on Form 10-K.
- Consider the effectiveness of the company's internal control over financial reporting.
- Review and discuss any significant deficiencies or material weaknesses in that internal control, any change that has materially affected or is reasonably likely to materially affect that internal control, and any fraud that involves management or other employees who have a significant role in that internal control that, in each case, has been reported to the committee.

3. Internal Audit

- Monitor and oversee the internal audit function of the company.
- Ensure there are no unjustified restrictions or limitations imposed on the internal audit function.
- When necessary, meet separately with management performing the internal audit function to discuss any matters that the committee or such management believes should be discussed privately.

4. Independent Auditor

- Review the independent auditor's proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the independent auditor, and exercise final approval on the appointment or discharge of the independent auditor. In performing this review, the committee will:
 - At least annually, obtain and review a report by the independent auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities.
 - Take into account the opinions of management, including management performing the internal audit function.
 - Review and evaluate the lead partner of the independent auditor.
 - Present its conclusions with respect to the independent auditor to the board.

- Receive from the independent auditor all written statements and other communications relating to their independence from the company that may be required under applicable rules governing independent auditors.
- Actively discuss with the independent auditor any relationships or services that may impact their objectivity and independence and take any other appropriate action to oversee their independence.
- Present its conclusions with respect to the independent auditor to the board.
- Pre-approve all audit, review, attest, and permissible non-audit services to be provided to the company by the independent auditor. The committee may establish pre-approval policies and procedures in compliance with applicable rules of the Securities and Exchange Commission.

5. Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies.
- Review the process for communicating the code of ethics and standard of conduct to company personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and company legal counsel regarding compliance matters.

6. Reporting Responsibilities

- Regularly report to the board of directors about committee activities and issues that arise with respect to the quality or integrity of the company's financial statements, the company's compliance with legal or regulatory requirements, the performance and independence of the company's independent auditor, and the performance of the internal audit function.
- Provide an open avenue of communication between internal audit, the independent auditor, and the board of directors.

Other Responsibilities

- Discuss with management the company's major policies with respect to risk assessment and risk management.
- Administer the company's policy with respect to related person transactions, including the review and approval of related person transactions in accordance with that policy.
- Review and assess the adequacy of the company's policy with respect to related person transactions and recommend any desired changes to the board for approval.

- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Evaluate the committee's performance on an annual basis and report the results of that evaluation to the board.