

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): **March 30, 2020**

TELOS CORPORATION

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction
of incorporation)

001-08443
(Commission
File Number)

52-0880974
(IRS Employer
Identification No.)

19886 Ashburn Road, Ashburn, Virginia
(Address of principle executive offices)

20147-2358
(Zip Code)

(703) 724-3800

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act: None

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

On March 26, 2020, Telos Corporation (the “Company” or “Telos”) entered into the Fifth Amendment to Credit Agreement and Second Amendment to Fee Letter (the “Fifth Amendment”), by and among the Company, as borrower, Xacta Corporation, ubiquity.com, Inc. and Teloworks, Inc., as guarantors (together, the “Guarantors”), Enlightenment Capital Solutions Fund II, L.P., as agent (the “Agent”), and the lenders party hereto (the “Lenders”), in order to amend that certain Credit Agreement, dated January 25, 2017, as previously amended by that certain First Amendment to Credit Agreement dated February 23, 2017, that certain Second Amendment to Credit Agreement dated April 18, 2017, that certain Third Amendment to Credit Agreement and Waiver dated March 30, 2018, and that certain Fourth Amendment to Credit Agreement and Waiver dated July 19, 2019 (as amended by such amendments, the “Amended Credit Agreement”). As a result of the Fifth Amendment, several terms of the Amended Credit Agreement were modified. The financial covenants for 2020 through the maturity of the Amended Credit Agreement will remain at the December 31, 2019 levels and the previously agreed-upon definition of certain financial covenants is updated, specifically the amount of Capital Expenditures to be included in the measurement of the covenants. The Fifth Amendment also provides for the right for the Company to elect to extend the maturity date of the Amended Credit Agreement which is currently scheduled to mature on January 15, 2021. The Fifth Amendment provides for four quarterly maturity date extensions, which would increase the Exit Fee payable under the Amended Credit Agreement by \$250,000 for each quarterly maturity date extension elected, for a total of \$1 million increase to the Exit Fee were all four of the maturity date extensions to be elected. The Company paid the Agent an amendment fee of \$100,000 and out-of-pocket costs and expenses in consideration for the Fifth Amendment.

The foregoing summary of the Fifth Amendment does not purport to be complete and is qualified in its entirety by reference to the Fifth Amendment filed as an exhibit to this report.

Item 8.01. Other Events

Reference is made to the Order of the Securities Exchange Commission under Section 36 of the Securities Exchange Act of 1934 granting exemption from specified provisions of the Exchange Act and certain rules thereunder, dated March 25, 2020 (the “Order”). The Order extends the deadlines for filing certain reports made under the Exchange Act, including annual reports on Form 10-K, for registrants subject to the reporting obligations under the Exchange Act that have been particularly impacted by the novel coronavirus disease 2019 (“COVID-19 virus”) and which reports have filing deadlines between March 1 and July 1, 2020. In accordance with the provisions of the Order, the Company hereby provides notice that it is unable to meet its filing deadline for its Annual Report on Form 10-K, due on March 30, 2020, and furnishes the following information:

1. Telos is relying on the Order.
2. On March 12, 2020, Governor Ralph Northam of the Commonwealth of Virginia, the jurisdiction in which our corporate headquarters is located, issued an executive order declaring a state of emergency due to the outbreak of the COVID-19 virus. On March 13, 2020, President Donald J. Trump declared the virus a national emergency. On March 20, 2020, the Virginia executive order was amended to mandate “social distancing” and certain other measures to prevent the further spread of the virus. This action is consistent with actions taken by governors in many other jurisdictions, including other states in which the Company has offices, including Maryland and New Jersey, encouraging or mandating all individuals to maintain physical distance from others and requiring other significant protective measures be taken by individuals and various entities. Telos has experienced limited access to facilities, support staff and professional advisors, and a disruption of its normal operations, as a result of the outbreak of the COVID-19 virus, the current health emergency, and the restrictions that have been mandated and/or recommended by various authorities. As a result, Telos has been hampered in its efforts to prepare its financial statements and disclosures and is unable to finalize and file its Annual Report on Form 10-K on a timely basis.
3. The estimated date of filing our Annual Report on Form 10-K is on or before April 15, 2020.
4. The following risk factors are provided related to the impact of the COVID-19 virus on the Company’s business.

We depend on the U.S. Government for a significant portion of our sales and a significant decline in U.S. Government defense and intelligence community spending, or a reallocation of spending to other priorities, could have an adverse impact on our financial condition and results of operations.

Our sales are highly concentrated with the U.S. Government. The customer relationship with the U.S. Government involves certain risks that are unique. The programs in which we participate must compete with other programs and policy imperatives during the budget and appropriations process. In each of the past three years, a substantial portion of our net sales were to the U.S. Government, particularly the Department of Defense (“DoD”). U.S. defense spending has historically been cyclical. Defense budgets have received their strongest support when perceived threats to national security raise the level of concern over the country’s safety. As these threats subside, spending on the military tends to decrease. Rising budget deficits, increasing national debt, the cost of the global war on terrorism, increasing costs for entitlement programs, and potentially the large costs of combating the COVID-19 virus pandemic and addressing the health concerns and economic dislocation caused by COVID-19, continue to put pressure on all areas of discretionary spending, which could ultimately impact the defense budget and other aspects of federal discretionary spending.

U.S. Government appropriations have been and continue to be affected by larger U.S. Government budgetary issues and related legislation. In 2011, Congress enacted the Budget Control Act of 2011 (the “BCA”), which established specific limits on annual appropriations for fiscal years 2012-2021. The BCA has been amended a number of times, most recently by the Bipartisan Budget Act of 2019 (the “BBA”), which was enacted on August 2, 2019. As a result, DoD funding levels have fluctuated over this period and have been difficult to predict. Most recently, while the two-year BBA allowed for modestly increased defense spending in FY 2020, unless and until it is again modified, the BBA also essentially will maintain defense spending in FY 2021 with only a minor increase (less than 1.0 percent) permitted above the current FY 2020 appropriated funding level.

According to the Office of Management and Budget, federal outlays devoted to defense programs have fallen from 4.5 percent to 3.2 percent as a share of Gross Domestic Product (GDP) since enactment of the BCA. Moreover, as a result of the spending caps imposed by the BCA, annual DoD budget authority in FY 2020 is only 3.7 percent higher (in unadjusted dollars) than it was a decade ago in FY 2010.

Since final enactment in December 2019 of appropriations legislation for FY 2020, and the February 10, 2020 submission of the President's proposed FY 2021 budget, the Coronavirus pandemic and associated economic dislocation in the United States has resulted in the need for an overwhelming federal response. This has led to the enactment of several comprehensive appropriations and economic stimulus measures, as well as negotiations between Congress and the White House for additional massive initiatives for the current year and into the next fiscal year, the details of which are not yet finalized. These substantial alterations to FY 2020 spending baselines are also likely to further impact FY 2021 spending in ways that cannot now be predicted. The impact of the health and economic crisis, and the resulting large increase in federal spending, on the government contracts that we hold and the federal procurements that we would otherwise compete for cannot now be known.

In addition to the ongoing need to respond to the crisis in the current fiscal year, Congress and the President must agree on FY 2021 appropriations legislation prior to October 1, 2020; failing to do so by then would likely mean DoD and other departments will again be funded for an unknown period of time under another Continuing Resolution, which would again restrict new spending initiatives. This is consistent with the practice for a number of years where the U.S. Government has been unable to complete its appropriations process prior to the beginning of the next fiscal year, resulting in actual or threatened governmental shut-downs and repeated use for extended time periods each year of Continuing Resolutions to fund part or all of the government. The impact of the substantial additional spending on the COVID-19 virus pandemic on the appropriations for FY 2021, and the appropriations process itself, is not now known.

The current health and economic crisis is highly fluid, and it is likely to continue to affect multiple federal departments and agencies for an unknown period of time and in ways that are difficult to predict. Nonetheless, we believe that the federal government will very likely endeavor to maintain continuity of services and, with much of the business of government now being conducted through use of information technology systems and in many cases during the crisis remotely, we believe there will continue to be a need on the part of the government for the types of solutions and services provided by Telos.

A novel strain of coronavirus, the COVID-19 virus, may adversely affect our business operations and financial condition.

In December 2019, an outbreak of the COVID-19 virus was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic and on March 13, 2020, President Donald J. Trump declared the virus a national emergency. This highly contagious disease has spread to most of the countries in the world and throughout the United States, creating a serious impact on customers, workforces, and suppliers, disrupting economies and financial markets, and potentially leading to a world-wide economic downturn. It has caused a disruption of the normal operations of many businesses, including the temporary closure or scale-back of business operations and/or the imposition of either quarantine or remote work or meeting requirements for employees, either by government order or on a voluntary basis. The pandemic may adversely affect our customers' ability to perform their missions and is in many cases disrupting their operations. It may also impact the ability of our subcontractors, partners, and suppliers to operate and fulfill their contractual obligations, and result in an increase in their costs and cause delays or disruptions in performance. These supply chain effects, and the direct effect of the virus and the disruption on our operations, may negatively impact both our ability to meet customer demand and our revenue and profit margins. Our employees, in some cases, are working remotely due either to safety concerns or to customer imposed limitations and using various technologies to perform their functions. We might experience delays or changes in customer demand, particularly if government funding priorities change. Additionally, the disruption and volatility in the global and domestic capital markets may increase the cost of capital and limit our ability to access capital. Both the health and economic aspects of the COVID-19 virus are highly fluid and the future course of each is uncertain. For these reasons and other reasons that may come to light if the coronavirus pandemic and associated protective or preventative measures expand, we may experience a material adverse effect on our business operations, revenues and financial condition; however, its ultimate impact is highly uncertain and subject to change.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	<u>Fifth Amendment to Credit Agreement and Second Amendment to Fee Letter, between Telos Corporation and Enlightenment Capital Solutions Fund II, L.P., dated March 26, 2020</u>

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 30, 2020

TELOS CORPORATION

By: /s/ Michele Nakazawa

Michele Nakazawa
Chief Financial Officer

FIFTH AMENDMENT TO CREDIT AGREEMENT AND SECOND AMENDMENT TO FEE LETTER

THIS FIFTH AMENDMENT TO CREDIT AGREEMENT AND SECOND AMENDMENT TO FEE LETTER (this "Agreement") is entered into as of March 26, 2020 by and among **TELOS CORPORATION**, a Maryland corporation (the "Borrower"), the Guarantors party hereto, the Lenders party hereto and **ENLIGHTENMENT CAPITAL SOLUTIONS FUND II, L.P.**, a Delaware limited partnership, as Agent (in such capacity, the "Agent"). All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Credit Agreement referred to below.

RECITALS

A. A Credit Agreement dated as of January 25, 2017 (as amended or modified from time to time, the "Credit Agreement") has been entered into by and among the Borrower, the Guarantors from time to time party thereto, the Lenders from time to time party thereto and the Agent.

B. The Borrower has requested amendments to the Credit Agreement to permit extensions to the Maturity Date and exclude certain Consolidated Capital Expenditures from the calculation of maximum Consolidated Capital Expenditures.

C. The Borrower and each of the Lenders have agreed to the requested amendments as provided herein on the terms and conditions set forth below.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendments to Credit Agreement. Subject to the satisfaction of the conditions precedent set forth in Section 2 below, from and after the date hereof the Credit Agreement is hereby amended as follows:

- (a) The definition of "Consolidated Capital Expenditures" in Section 1.01 of the Credit Agreement (Defined Terms) is amended by adding the following sentence to the end of such definition:

Notwithstanding anything to the contrary in the foregoing, for purposes of calculating the permitted maximum Consolidated Capital Expenditures in any twelve-month period pursuant to Section 7.15(b), (x) any Consolidated Capital Expenditures made in connection with the growth program for Telos ID that is funded with the reinvestment of any Telos ID Class B member distributions and (y) up to \$2,000,000 of any Consolidated Capital Expenditures in any fiscal year incurred for the purposes of competing for, or performing under, new or recently renewed Government Contracts for the benefit of the Borrower may be excluded from such calculation.

(b) The definition of “Maturity Date” in Section 1.01 of the Credit Agreement (Defined Terms) is amended to read as follows:

“Maturity Date” means, subject to Section 2.01(a)(iii), January 15, 2021.

(c) Section 2.01(a)(iii) of the Credit Agreement is amended by adding the following to the end of such section:

The Borrower shall have the right to elect, by written notice to the Agent and the Lenders not later than five (5) Business Days prior to the Maturity Date, that the Lenders extend the Maturity Date for an additional three (3) month period from the Existing Maturity Date (a “Maturity Date Extension”). The Borrower shall have the right to elect a total of four (4) Maturity Date Extensions with respect to the Maturity Date (for purposes, of clarity, the Maturity Date would be extended to January 15, 2022 if all four Maturity Date Extensions have been elected by the Borrower). In connection with any Maturity Date Extension, the Exit Fee shall be increased as set forth in the Fee Letter. As a condition precedent to any such extension, the Borrower shall deliver to the Agent a certificate certifying that, before and after giving effect to such extension, (x) the representations and warranties contained in Article V and the other Loan Documents that are subject to materiality or Material Adverse Effect qualifications are true and correct in all respects and the representations and warranties of the Loan Parties contained in Article V and each other Loan Document that are not subject to materiality or Material Adverse Effect qualifications are true and correct in all material respects, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date and (y) no Default or Event of Default exists or would result therefrom.

(d) Clause (a)(i) of Section 7.15 of the Credit Agreement is amended by replacing the table at the end of such section with the table below:

<u>Fiscal Quarters Ended</u>	<u>Maximum Consolidated Leverage Ratio</u>
December 31, 2019 through Maturity Date	3.25:1.00

(e) Clause (c) of Section 7.15 of the Credit Agreement is amended by replacing the table at the end of such section with the table below:

<u>Fiscal Quarters Ended</u>	<u>Minimum Fixed Charge Coverage Ratio</u>
December 31, 2019 through Maturity Date	1.10:1.00

(f) Clause (d-1) of Section 7.15 of the Credit Agreement is amended by replacing the table at the end of such section with the table below:

<u>Fiscal Quarters Ended</u>	<u>Minimum Consolidated Net Working Capital</u>
December 31, 2019 through Maturity Date	\$ 0

2. Amendment to Fee Letter.

Section 3 of the Fee Letter (Exit Fee) is amended in its entirety to read as follows:

Upon the repayment or prepayment in full of the Loans (or remaining portion thereof), whether on, prior to or after the Maturity Date, the Borrower will pay a one-time exit fee (the “*Exit Fee*”; and together with the Upfront Fee and the Annual Advisory Fee, the “*Fees*”) to the Agent, for the ratable benefit of the Lenders, in an amount equal to \$1,200,000; provided, that, for each Maturity Date Extension, the Exit Fee shall be increased by \$250,000 (it being understood that the aggregate amount by which the Exit Fee may be increased will total \$1,000,000 in the event the Borrower elects all four Maturity Date Extensions, resulting in an aggregate Exit Fee in the amount of \$2,200,000 if all four Maturity Date Extensions occur).

3. Condition Precedent to Effectiveness. The amendments to the Credit Agreement and the Fee Letter set forth herein shall be deemed effective once:

(a) The Agent has received (i) duly executed counterparts of this Agreement from the Loan Parties, each of the Lenders and the Agent and (ii) a certificate of the secretary or other officer of the Borrower (x) attaching resolutions of the Borrower authorizing the Fifth Amendment and (y) certifying that the Borrower’s organizational documents have not been modified since the Closing Date (or attaching and certifying to the Borrower’s updated organizational documents); and.

(b) The Borrower shall have paid (i) an amendment fee in the amount of \$100,000, payable to the Agent and (ii) unless the Agent has otherwise agreed to cover such costs and expenses out of the amendment fee, all reasonable out-of-pocket costs and expenses of the Agent or the Lenders (including without limitation the reasonable fees, costs and expenses of Moore & Van Allen PLLC, as counsel to the Agent) in connection with this Agreement or otherwise due and payable pursuant to the Loan Documents.

4. Representations and Warranties. Each Loan Party hereby represents and warrants to the Agent and the Lenders that, upon giving effect to this Agreement, (a) no Default or Event of Default exists and (b) all of the representations and warranties set forth in the Loan Documents are true and correct in all material respects as of the date hereof (except for those that expressly state that they are made as of an earlier date, in which case they shall be true and correct in all material respects as of such earlier date).

5. Ratification of Credit Agreement and other Loan Documents. Except as expressly modified and amended in this Agreement, all of the terms, provisions and conditions of the Loan Documents shall remain unchanged and in full force and effect. The term “this Agreement” or “Credit Agreement” and all similar references as used in each of the Loan Documents shall hereafter mean the Credit Agreement as amended by this Agreement. Except as herein specifically agreed, the Credit Agreement and each other Loan Document is hereby ratified and confirmed and shall remain in full force and effect according to its terms.

6. Affirmation of Liens and Guarantees. (i) Each Loan Party affirms the liens and security interests created and granted by it in the Loan Documents and agrees that this Agreement shall in no manner adversely affect or impair such liens and security interests and (ii) each Guarantor affirms its Guarantee under Article XI of the Credit Agreement.

7. Authority/Enforceability. Each Loan Party hereby represents and warrants as follows:

- (a) It has taken all necessary action to authorize the execution, delivery and performance of this Agreement.
- (b) This Agreement has been duly executed and delivered by each Loan Party and constitutes such Loan Party's legal, valid and binding obligation, enforceable in accordance with its terms, except as such enforceability may be subject to (i) bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting creditors' rights and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).
- (c) No consent, approval, authorization or order of, or filing, registration or qualification with, any court or governmental authority or third party is required in connection with the execution, delivery or performance by each Loan Party of this Agreement other than those obtained on or before the date hereof and those which, if not obtained, delivered or filed (as the case may be) could not reasonably be expected to have a Material Adverse Effect. The execution, delivery and performance by each Loan Party of this Agreement does not and will not conflict with, result in a breach of or constitute a default under the articles of incorporation, bylaws or other organizational documents of each Loan Party or any indenture or other material agreement or instrument to which such Person is a party or by which any of its properties may be bound or the approval of any Governmental Authority relating to the Borrower except as could not reasonably be expected to have a Material Adverse Effect.

8. Expenses. The Borrower agrees, subject to paragraph 3(b) hereof, to pay all reasonable costs and expenses in connection with the preparation, execution and delivery of this Agreement, including without limitation the reasonable fees and expenses of Moore & Van Allen PLLC, special counsel to the Agent.

9. Counterparts/Telecopy/E-mail. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. Delivery of executed counterparts by telecopy or electronic mail shall be effective as an original.

10. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

11. Entirety. This Agreement and the other Loan Documents embody the entire agreement between the parties and supersede all prior agreements and understandings, if any, relating to the subject matter hereof. These Loan Documents represent the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no oral agreements between the parties.

12. Release. In consideration of the willingness of the Agent and the Lenders to enter into this Agreement, each Loan Party hereby releases and forever discharges each of the Agent and the Lenders (including its predecessors, successors and assigns) and its affiliates, and each of their respective officers, employees, representatives, agents, counsel and directors (each, a "Lender Party"), from any and all actions, causes of action, claims, demands, damages and liabilities of whatever kind or nature, in law or in equity, now known or unknown, suspected or unsuspected, to the extent related to the Loan Documents or the loan transactions described therein (collectively, the "Released Claims"), which Released Claims relate to any act or omission by any Lender Party that occurred on or prior to the date hereof, except to the extent any such Released Claim results from any Lender Party's willful misconduct as finally determined by a court of competent jurisdiction.

[Signature pages to follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement, to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

Borrower:

TELOS CORPORATION

a Maryland corporation

By: /s/ John B. Wood

Name: John B. Wood

Title: Chairman of the Board, Chief Executive Officer

Guarantors:

UBIQUITY.COM, INC., a Delaware corporation

By:/s/ John B. Wood

Name: John B. Wood

Title: Chief Executive Officer, President

XACTA CORPORATION, a Delaware corporation

By:/s/ John B. Wood

Name: John B. Wood

Title: Chief Executive Officer, President

TELOWORKS, INC., a Delaware corporation

By:/s/ David S. Easley

Name: David S. Easley

Title: President, Treasurer

Agent and Lender:

**ENLIGHTENMENT CAPITAL SOLUTIONS FUND II, L.P., as
Agent and as a Lender**

By: /s/ Devin Talbott

Name: Devin Talbott

Title: Managing Partner

Lenders:

ENLIGHTENMENT CAPITAL SOLUTIONS FUND SPV I, L.P.,
in its capacity as a lender

By: /s/ Devin Talbott

Name: Devin Talbott

Title: Managing Partner

ENLIGHTENMENT CAPITAL SOLUTIONS FUND II - NQ,
L.P., in its capacity as a lender

By: /s/ Devin Talbott

Name: Devin Talbott

Title: Managing Partner

ENLIGHTENMENT CAPITAL SOLUTIONS FUND I, L.P., in its
capacity as a lender

By: /s/ Devin Talbott

Name: Devin Talbott

Title: Managing Partner