

* = Required fields



City of San Antonio Contracts Disclosure Form

Office of the
City Clerk

Please fill out this form online, print completed form and submit with proposal to originating department. All questions must be answered.

For details on use of this form, see Section 2-59 through 2-61 of the City's Ethics Code.

*This is a New Submission or Correction or Update to previous submission.

*1. Name of person submitting this disclosure form.

First: Sharon M.I. A Last: King Suffix: MS

*2. Contract information.

a) Contract or project name: Purchase order 4500410194 - Designated Aviation Channeling Subs

b) Originating department: City of San Antonio

*3. Name of individual(s) or entity(ies) seeking a contract with the city (i.e. parties to the contract).

Telos Identity Management Solutions, LLC "TelosID"

*4. List any individual(s) or entity(ies) that is a partner, parent, joint venture, or subsidiary entity(ies) of the individual or entity listed in Question 3.

Not applicable. Contracting party(ies) does not have partner, parent, joint venture, or subsidiary entities.

Names of partner, parent, joint venture or subsidiary entities, and all the board members, executive committee members, and officers of each entity: See attached for parent (Telos Corporation) (proxy statement)

*5. List any individuals or entities that will be subcontractors on this contract.

Not applicable. No subcontractors will be retained for this contract.

Subcontractors may be retained, but have not been selected at the time of this submission.

List of subcontractors, including the name of the owner(s), and business name:

*6. List any attorneys, lobbyists, or consultants retained by any individuals listed in Questions 3, 4, or 5 to assist in seeking this contract.

Not applicable. No attorneys, lobbyists, or consultants have been retained to assist in seeking this contract.

List of attorneys, lobbyists, or consultants retained to assist in seeking this contract:

* = Required fields



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*7. Disclosure of political contributions.

List any campaign or officeholder contributions made by the following individuals in the past 24 months totaling more than \$100 to any current member of City Council, former member of City Council, any candidate for City Council, or to any political action committee that contributes to City Council elections:

- a) any individual seeking contract with the city (Question 3)
- b) any owner or officer of entity seeking contract with the city (Question 3)
- c) any individual or owner or officer of an entity listed above as a partner, parent, or subsidiary business (Question 4)
- d) any subcontractor or owner/officer of subcontracting entity retained for the contract (Question 5)
- e) the spouse of any individual listed in response to (a) through (d) above
- f) any attorney, lobbyist, or consultant retained to assist in seeking contract (Question 6)

Not applicable. No campaign or officeholder contributions have been made in preceding 24 months by these individuals.

List of contributions:

Updates on Contributions Required

Information regarding contributions must be updated by submission of a revised form from the date of the submission of this form, up through the time City Council takes action on the contract identified in response to Question 2 and continuing for 30 calendar days after the contract has been awarded.

Notice Regarding Contribution Prohibitions for "High-Profile" Contracts

Under Section 2-309 of the Municipal Campaign Finance Code, the following listed individuals are prohibited from making a campaign or officeholder contribution to any member of City Council, candidate for City Council or political action committee that contributes to City Council elections from the 10th business day after a contract solicitation has been released until 30 calendar days after the contract has been awarded:

- a) Legal signatory of a high-profile contract
- b) Any individual seeking a high-profile contract
- c) Any owner or officer of an entity seeking a high-profile contract
- d) The spouse of any of individual listed in response to (a) through (c) above
- e) Any attorney, lobbyist, or consultant retained to assist in seeking a high-profile contract

Penalty. A high-profile contract cannot be awarded to the individual or entity if a prohibited contribution has been made by any of these individuals during the contribution "black-out" period, which is the 10th business day after a solicitation has been released until 30 calendar days after the contract has been awarded.

*8. Disclosure of conflict of interest.

Are you aware of any fact(s) with regard to this contract that would raise a "conflict of interest" issue under Sections 2-43 or 2-44 of the City Ethics Code for any City Council member or board/commission member that has not or will not be raised by these city officials?

I am not aware of any conflict(s) of interest issues under Section 2-43 or 2-44 of the City Ethics Code for members of City Council or a city board/commission.

I am aware of the following conflict(s) of interest:

* = Required fields



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*9. Prohibited Interest in Contracts.

Currently, or within the past twelve (12) months, have you, your spouse, sibling, parent, child or other family member within the first degree of consanguinity or affinity served on a City board or commission? *No*

Currently, or within the past twelve (12) months, has an owner, partner or employee of a business entity in which you, your spouse, parent, child own 10% or more of the voting stock or shares, or 10% or more of the fair market value served on a City board or commission? *No*

Currently, or within the past twelve (12) months, has an owner, partner, or employee of a business entity who owns 10% or more of the voting stock or shares, or 10% or more of the fair market value, that will be a subcontractor for this contract, served on a City board or commission?

No

Yes

Notice Regarding Prohibited Interest in Contracts.

Please be aware, the City's Charter and Ethics Code prohibits members of certain more-than-advisory boards and commissions, as well as their close family members and any businesses they or their families hold a 10% or greater ownership interest from obtaining a contract with the City during their board or commission service. The prohibition extends to subcontracts on City contracts, and would also apply to parent, subsidiary or partner businesses owned by the member of the board or commission and their family. Please see [Section 141 of the City Charter](#) and [Section 2-52 of the City Ethics Code \(Prohibited Interests in Contracts\)](#) for complete information.

Former members of certain more-than-advisory boards and commissions, their family members and the businesses they own will continue to be prohibited from obtaining any discretionary contracts for one year after leaving City service. Please see [Section 2-58 of the City Ethics Code \(Prohibited Interest in Discretionary Contracts\)](#) for complete information.

Please note that any contract in place at the time the applicant becomes a City officer may remain in effect, but cannot be amended, extended, modified, or changed in any manner during the officer's City service on the more-than-advisory board.

If you have any questions, please contact the Office of the City Attorney to request to speak with a member of the Ethics staff: (210) 207-8940.

Acknowledgements

*1. Updates Required

I understand that this form must be updated by submission of a revised form if there is any change in the information before the discretionary contract, housing and retail development incentive, or the purchase, sale, or lease of real estate to or from the City is the subject of action by the City Council, and no later than 5 business days after any change has occurred, whichever comes first. This includes information about political contributions made after the initial submission and up until 30 calendar days after contract has been awarded.

*2. No Contact with City Officials or Staff during Contract Evaluation

I understand that a person or entity who seeks or applies for a city contract or any other person acting on behalf of that person or entity is prohibited from contacting city officials and employees regarding the contract after a Request for Proposal (RFP), Request for Qualification (RFQ), or other solicitation has been released.

This no-contact provision shall conclude when the contract is posted as a City Council agenda item. If contact is required with city officials or employees, the contact will take place in accordance with procedures incorporated into the solicitation documents. Violation of this prohibited contacts provision set out in [Section 2-61 of the City Ethics Code](#) by respondents or their agents may lead to disqualification of their offer from consideration.

* = Required fields



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***3. Contribution Prohibitions for "High-Profile" Contracts**

- This is not a high-profile contract.
- This is a high-profile contract.

***4. Conflict of Interest Questionnaire (CIQ)**

Chapter 176 of the Local Government Code requires all contractors and vendors to submit a Conflict of Interest Questionnaire Form (CIQ) to the Office of the City Clerk, even if contract is not designated as "High Profile".

- I acknowledge that I have been advised of the requirement to file a CIQ form under Chapter 176 of the Local Government Code.

***Oath**

- I swear or affirm that the statements contained in this Contracts Disclosure Form, including any attachments, to the best of my knowledge and belief are true, correct, and complete.

Your Name: Sharon King Title: SR Contracts Administrator

Company Name or DBA: Texas Identity Management Solutions Date: 08/01/2018

Please fill this form out online, print completed form and submit with proposal to originating department. All questions must be answered.

If necessary to mail, send to:

Purchasing
P.O. Box 839966
San Antonio, Texas 78283-3966

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TELOS CORPORATION
19886 Ashburn Road
Ashburn, Virginia 20147-2358

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held on May 11, 2017

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders (the "Annual Meeting") of Telos Corporation, a Maryland corporation (the "Company"), will be held in the Meeting Room at the Company's headquarters located at 19886 Ashburn Road, Ashburn, Virginia, 20147-2358, on Thursday, May 11, 2017 at 10:00 a.m. Eastern Time, for the following purposes:

1. **ELECTION OF DIRECTORS:** To elect seven Class A/B Directors to the Board of Directors to serve until the 2018 Annual Meeting of Stockholders or until their successors are elected and qualified;
2. **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM:** To ratify the selection of BDO USA, LLP to serve as the Company's independent registered public accounting firm;
3. **ADVISORY VOTE ON EXECUTIVE COMPENSATION:** To approve, on an advisory basis, the compensation of the Company's named executive officers or "say-on-pay";
4. **FREQUENCY OF THE VOTE ON EXECUTIVE COMPENSATION:** To recommend, on an advisory basis, the frequency with which the Company should conduct future stockholder advisory votes on named executive officer compensation; and
5. **OTHER BUSINESS:** To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

The Board of Directors has fixed the close of business on March 31, 2017 as the record date for determining the stockholders entitled to notice of and to vote at the Annual Meeting or any adjournment or postponement thereof.

Holders of record of the Company's Class A and Class B Common Stock who plan to attend the meeting in person should mark the attendance box on their proxy card and bring the proxy card with them to the meeting. Beneficial owners of the Company's Class A and Class B Common Stock and 12% Cumulative Exchangeable Redeemable Preferred Stock that is held by a bank, broker or other nominee will be required to provide adequate proof of ownership. In addition, due to the security requirements of the Company's headquarters, all stockholders will be required to provide personal identification for admission to the Annual Meeting.

By order of the Board of Directors

Helen M. Oh
Secretary

Ashburn, Virginia
April 17, 2017

TELOS CORPORATION
19886 Ashburn Road
Ashburn, Virginia 20147-2358

PROXY STATEMENT

FOR THE ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 11, 2017

This Proxy Statement is furnished by Telos Corporation, a Maryland corporation ("Telos" or the "Company"), to the holders of the Company's Class A and Class B Common Stock (collectively, the "Common Stock") and 12% Cumulative Exchangeable Redeemable Preferred Stock ("Public Preferred Stock") in connection with the Annual Meeting of Stockholders ("Annual Meeting") of the Company to be held in the Meeting Room at the Company's headquarters located at 19886 Ashburn Road, Ashburn, Virginia 20147-2358 on May 11, 2017, 10:00 a.m. Eastern Time, or any adjournment or postponement of it, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders ("Annual Meeting Notice"). The Company expects to begin mailing the Annual Meeting Notice, this Proxy Statement, and the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (the "2016 Form 10-K") to all stockholders of record on or about April 17, 2017. On the same date, the proxy card will be mailed to all holders of record of the Company's Common Stock. **The Company's Board of Directors is soliciting proxies for the election of the Class A/B Directors, the ratification of the Company's independent registered public accounting firm, the approval of the compensation of the Company's named executive officers or "say-on-pay, and the recommendation of the frequency with which the Company should conduct future stockholder advisory votes on named executive officer compensation.**

The entire cost of soliciting these proxies will be borne by the Company. As needed, the Company will request brokers and others to send proxy forms and other proxy material to the beneficial owners of the Common Stock and reimbursement will be provided for any reasonable expenses incurred in so doing. If necessary, the Company may also request its employees to solicit proxies from the stockholders personally or by telephone. The Company may retain a proxy solicitor to assist in the solicitation of proxies, for which the Company would pay usual and customary fees.

This Proxy Statement, the Annual Meeting Notice and the 2016 Form 10-K is being mailed to holders of the Common Stock and the Public Preferred Stock on or about April 17, 2017, together with a proxy card (the latter of which is being mailed to holders of Common Stock only).

Important notice regarding the availability of proxy materials for the Telos Corporation Annual Meeting of Stockholders to be held on May 11, 2017: The Annual Meeting Notice, this Proxy Statement and the 2016 Form 10-K are available at <https://materials.proxyvote.com/87969B>.

Voting Procedures

Record Date. The record date for determining the stockholders entitled to vote at the Annual Meeting is March 31, 2017 ("Record Date"). As of March 31, 2017, there were 40,238,461 shares of Class A Common Stock and 4,037,628 shares of Class B Common Stock outstanding and entitled to vote at the Annual Meeting.

Votes. Each holder of Common Stock is entitled to one vote per share of Common Stock held in the election of Class A/B Common Directors and any other issue to be decided at the Annual Meeting. Cumulative voting is not permitted.

Quorum and Vote Required. A quorum consists of stockholders representing, either in person or by proxy, a majority of the votes entitled to be cast at the Annual Meeting. Banks, brokers, and other nominees do not have the authority to vote your uninstructed shares in the election of directors, for the approval of the compensation of the Company's named executive officers, or for the recommendation of the frequency with which the Company should conduct future stockholder advisory votes on named executive officer compensation. If a beneficial owner of the Common Stock does not instruct its bank, broker, or other nominee how to vote its shares in the election of directors, no votes will be cast on that beneficial owner's behalf. These broker non-votes are counted for purposes of determining whether a quorum is present and will have no effect on the result of the vote on the issues on the ballot.

Directors are elected by a plurality of the votes cast if a quorum is present. The affirmative vote of a majority of votes cast at the Annual Meeting if a quorum is present is required to ratify the appointment of the independent registered public accounting firm, to approve the compensation of the Company's named executive officers or "say-on-pay, and to recommend the frequency with which the Company should conduct future stockholder advisory votes on named executive officer compensation.

Voting Methods. Holders of the Common Stock may vote by (1) signing, dating and mailing the enclosed proxy card in the return envelope provided, or (2) attending the Annual Meeting and voting their shares in person. If shares of the Common Stock are held in the name of a bank, broker or other nominee, the beneficial owner of those shares must provide the bank, broker, or other nominee with instructions on how to vote those shares by following the voting instructions provided by the bank, broker, or other nominee. A beneficial holder may not vote any shares held in the name of a bank, broker, or other nominee unless the beneficial holder obtains a "legal proxy" from the bank, broker, or other nominee.

If any nominations for Class D Directors had been received, holders of the Public Preferred Stock would have been eligible to vote at the Annual Meeting on the election of such Class D Directors and on no other matter before the Annual Meeting; however, no nominations for Class D Directors were received by the Company, and as a result the holders of Public Preferred Stock are not eligible to vote on any issue before the Annual Meeting.

Meeting Attendance. Registered holders of the Common Stock who plan to attend the meeting in person should mark the attendance box on their proxy card and bring the proxy card with them to the meeting. Beneficial owners of the Common Stock and the Public Preferred Stock that is held by a bank, broker or other nominee must provide adequate proof of ownership. In addition, due to security requirements at the Company's headquarters, personal identification will be required for admission to the Annual Meeting.

Revocation of Proxies. A registered holder of the Common Stock who has provided a proxy may revoke the proxy at any time before the underlying shares are voted at the Annual Meeting by:

- (1) Executing a proxy dated later than the most recent proxy given and mailing it to:

Corporate Secretary
Telos Corporation
19886 Ashburn Road
Ashburn, VA 20147

- (2) Appearing in person and voting using a ballot at the Annual Meeting; or
- (3) Filing an instrument of revocation with the Inspector of Elections at the Annual Meeting.

If shares of the Common Stock are held in the name of a bank, broker, or other nominee, the beneficial owner of those shares must contact the bank, broker, or other nominee in order to change a vote. The Inspector of Elections will record each vote according to the latest instructions received from the respective stockholder.

Election of Directors

The Company's Board of Directors is currently comprised of nine members. Seven of the nine directors were elected by the holders of the Common Stock and are designated "Class A/B Directors." At any time that dividends on the Public Preferred Stock are in arrears and unpaid for three consecutive full semi-annual periods, the holders of the Public Preferred Stock are entitled to elect two members to the Company's Board of Directors. Accordingly, on June 18, 2007, the holders of the Public Preferred Stock elected Seth W. Hamot and Andrew R. Siegel to the Company's Board of Directors. Each of the directors holds office until the next annual meeting of stockholders and until their successor is elected and qualified. The terms of Messrs. Hamot and Siegel, the Class D Directors, will continue until their respective successor is elected and qualified.

Class A/B Director Nominees. The Company's Board of Directors, upon the recommendation of the Nominating and Corporate Governance Committee, has nominated the following individuals for election as Class A/B Directors by the holders of the Common Stock: John B. Wood, Bernard C. Bailey, David Borland, Lt. Gen. (ret) Bruce R. Harris, Lt. Gen. (ret) Charles S. Mahan, Jr., Maj. Gen. (ret) John W. Maluda, and Robert J. Marino.

Biographical Information Concerning Class A/B Director Nominees. Information concerning the nominees for election as Class A/B Directors appears below.

Name	Age	Biographical Information
John B. Wood	53	<p>President, Chief Executive Officer, Chairman of the Board of the Company. Mr. Wood joined the Company in 1992 as Executive Vice President and Chief Operating Officer ("COO") and in 1994 was named President and Chief Executive Officer ("CEO") until March 2000, when he was appointed to the newly created position of Executive Chairman of the Board. In 2002, he became Chairman of the Board subsequent to a restructuring of the Board of Directors. In January 2003, Mr. Wood resumed the positions of President and CEO. Mr. Wood also holds the position of Chairman of the Board for Telos Identity Management Solutions, LLC ("Telos ID") at the request of the Company. Prior to joining the Company, Mr. Wood worked on Wall Street for Dean Witter Reynolds, UBS Securities, and his own boutique investment bank. Mr. Wood graduated from Georgetown University where he earned a Bachelor of Science in Business Administration in finance and computer science. Mr. Wood also serves on several advisory boards and one foundation board. Mr. Wood is the brother of Mr. Emmett J. Wood, the Executive Vice President, Marketing & Strategy, of the Company.</p> <p>As the Chief Executive Officer of the Company, Mr. Wood provides the Board with not only the knowledge of the daily workings of the Company, but also with the essential experience and expertise that can be provided only by a person who is intimately involved in running the Company. Mr. Wood's broad knowledge and experience with the Company, its stockholders, partners, customers, and vendors resulting from his long tenure with the Company are invaluable to the Board.</p>

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Bernard C. Bailey	63	<p>Chairman, CEO of Authentix, Inc., a privately held authentication company, since 2012. Dr. Bailey's career spans over three decades of management experience in the high technology and security industries. Prior to Authentix he ran his own consulting company, Paraquis Solutions, LLC. From August 2002 to September 2006 he served as President and CEO of Viisage Technology, Inc. (NASDAQ:VISG), a leading provider of advanced technology identity solutions. Under his four years of leadership, Viisage's market capitalization grew from \$60 million to over \$1 billion. During that period, the company executed nine acquisitions, eventually culminating in the formation of L1 Identity Solutions, a NYSE listed company (NYSE:ID). Prior to Viisage, from January 2001 to August 2002, Dr. Bailey served in various executive roles, including COO at Art Technology Group, a leading provider of e-commerce software. From 1984 to 2001, Dr. Bailey held a variety of finance, sales, marketing, and operations positions at IBM, where he also served in executive roles involved in the growth and development of IBM Global Services' systems integration and consulting business lines. Dr. Bailey has been a member of the Company's Board of Directors since October 2006. Dr. Bailey also serves on the board of Telos ID at the request of Telos. In addition to these responsibilities, Dr. Bailey serves as Chairman of the Board of Analogic Corp (NASDAQ:ALOG); as an Advisory Board Member for Egis Capital Partners, a private equity investment fund; on the Board of Advisors for the U.S. Naval Academy Athletic and Scholarship Foundation; as a Trustee for Trout Unlimited; as adjunct faculty member in the Weatherhead School of Management at Case Western Reserve University; and is a member of the Committee for Economic Development. Dr. Bailey holds a Masters level certificate from the American College of Corporate Directors, a public company director education and credentialing organization.</p> <p>Dr. Bailey has significant experience in finance matters and within the Company's industry. He has served as a financial expert witness in Delaware's Court of Chancery and is on the Board of Advisors of Egis Capital Partners, a private equity fund focused on the security industry. Dr. Bailey holds a PhD in Management, having completed his dissertation on corporate governance. He has written and spoken extensively on corporate governance issues. He has also served on a number of boards of public companies. Dr. Bailey's executive and board experience make him a valuable resource for the Board and the Company.</p>
David Borland	69	<p>President, Borland Group, an information technology consulting company, since January 2004. Mr. Borland was elected to the Board of Directors in March 2004 after retiring as Deputy Chief Information Officer ("CIO") of the U.S. Army with more than 30 years of experience in the U.S. Government. Mr. Borland's U.S. Army career experience also includes serving as Vice Director of Information Systems for Command, Control, Communications, and Computers; Director of the Information Systems Selection and Acquisition Agency; and numerous other positions. From 1966 through 1970, Mr. Borland served in the U.S. Air Force. Mr. Borland received numerous awards, including the Meritorious Presidential Rank Award for Senior Executive Service Members (1996 and 2003), the Distinguished Presidential Rank Award (2000), and the U.S. Army Decoration for Exceptional Civilian Service (1998 and 2003). Mr. Borland holds a Master's Degree in Finance from George Washington University.</p>

		Mr. Borland's industry experience and extensive service with the U.S. Army and the U.S. Air Force make him a valuable member of the Board of Directors.
Lieutenant General Bruce R. Harris (USA, Ret.)	82	<p>Retired, U.S. Army Lieutenant General. General Harris was elected to the Board in August 2006. He retired from the U.S. Army in September 1989 after more than 33 years of continuous active duty. At the time of his retirement, General Harris was the Director of Information Systems for Command, Control, Communications and Computers in the Office of the Secretary of the Army. In that capacity he served as the principal advisor to the Secretary and Chief of Staff of the Army on all aspects of policy, planning, resourcing and acquisition of communications, automation, information management and command and control systems in the U.S. Army. Since his retirement, General Harris has worked with many of America's leading corporations as a consultant on matters relating to the development of strategic and business plans, resource planning and budget formulation. Until December 2013, General Harris served as a director of Hunter Defense Technologies, a privately held company focused on the development of comprehensive solutions to provide shelter, heat, power generation and chem/bio protection for a wide variety of military and homeland security applications.</p> <p>General Harris has extensive experience with the U.S. Army, including the U.S. Defense Security Service, which is very valuable to the Board and the Company.</p>

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Lieutenant General Charles S. Mahan, Jr. (USA, Ret.)	70	<p>Retired, U.S. Army Lieutenant General. General Mahan has been a member of the Board of Directors since August 2006. Until June 2016, he also served on the Board of Directors of MACK Defenses, a subsidiary of Volvo. Until 2011, General Mahan served on the Board of Directors of Spectrum Control, Inc. (NASDAQ:SPEC) and on the Board of Advisors at AJA, Inc., an information technology company. From January 2007 to July 2008, General Mahan also served as Vice President and General Manager of the Law Enforcement and Security strategic business unit of DynCorp International, a company providing technology and professional services solutions to government and commercial clients worldwide. From July 2006 to December 2006, he served first as President and Chief Operating Officer of Horne Engineering Services, LLC, an engineering services firm, and then as Chief Operating Officer of Horne International, an affiliate of Horne Engineering Services, LLC. From July 2005 to July 2006, General Mahan was Vice President of Homeland Security and Defense for SAP Public Services, Inc. (a U.S. business unit of the German software giant, SAP AG), where he led both SAP's Homeland Defense practice and its business development efforts supporting federal, state, and local government organizations. Immediately following his November 2003 retirement from the U.S. Army, General Mahan joined The Home Depot, Inc., a home repair materials company, serving as Senior Director of its Government Solutions Group. He currently serves on the Board of Directors of O'Neil and Associates, a privately owned information/documentation technology management firm and on the national board of trustees for the Fisher House Foundation, which supports wounded veterans and their families during rehabilitation at U.S. Military Medical Centers. General Mahan holds a Professional Director Certification from the American College of Corporate Directors, a public company director education and credentialing organization.</p> <p>General Mahan's comprehensive experience with the U.S. Army and service with two defense contractors make General Mahan a valuable resource for the Board and management.</p>
Major General John W. Maluda (USAF, Ret.)	63	<p>Retired, U.S. Air Force Major General. General Maluda was elected to the Board in October 2009. He retired from the U.S. Air Force in September 2009 after more than 34 years of continuous active duty. At the time of his retirement, General Maluda was Director of Cyberspace Transformation and Strategy, in the Office of the Secretary of the Air Force, and Chief Information Officer. In that capacity, he shaped doctrine, strategy, and policy for communications and information activities and served as the functional advocate for 30,000 personnel. Prior to that, General Maluda was Vice Commander, 8th Air Force, Barksdale Air Force Base, Louisiana. General Maluda enlisted in the Air Force in 1973 and received his commission in 1978 as a distinguished graduate of the ROTC program at Troy State University, Alabama. His career highlights include serving at three major commands, with unified combatant commands, a defense agency, the White House and the Air Staff. General Maluda's staff experience included positions at Headquarters U.S. Air Force, Air Combat Command, U.S. Air Force in Europe, Air Force Special Operations Command, U.S. Space Command and the White House Communications Agency. General Maluda holds a Bachelor of Science in Electrical Engineering from Auburn University, a Master's Degree in Systems Management from the University of Southern California, and Masters Director Certification from the American College of Corporate Directors, a public company director education and credentialing organization.</p> <p>General Maluda's comprehensive experience with the U.S. Air Force and broad industry insight make him a valuable member of the Board of Directors.</p>

Robert J. Marino	80	<p>Retired, Executive Vice President, Special Projects for the Company until February 2013. Mr. Marino joined the Company in 1988 as Senior Vice President of Sales and Marketing. In 1990, his responsibilities were expanded to include Program Management in addition to Sales and Marketing. In January 1994, Mr. Marino was appointed President of Telos Systems Integration, and in January 1998, he was appointed Chief Sales and Marketing Officer of the Company, a position he held until June 2004 at which time he was appointed Executive Vice President for Special Projects. Prior to joining the Company in February 1988, Mr. Marino held the position of Senior Vice President of Sales and Marketing with Centel Federal Systems and M/A.com Information Systems, both of which are U.S. Government contractors. Mr. Marino was elected to the Board of Directors in June 2004.</p> <p>Mr. Marino served the Company for 25 years and remains a valuable advisor to the Company's various business lines. His extensive experience with the Company, and its employees, vendors and customers, makes him a valuable member of the Board of Directors</p>
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The Board of Directors of Telos recommends that the Class A/B Director nominees named above be elected by the holders of the Company's Common Stock.

No Class D Director Nominees. The Company did not receive nominations for Class D Directors. As a result, the terms of Messrs. Hamot and Siegel will continue after the Annual Meeting until their respective successors are elected and qualified.

Biographical Information Concerning Class D Directors

Name	Age	Biographical Information
Seth W. Hamot	55	<p>Managing Member, Roark, Rearden & Hamot Capital Management, LLC ("RRHCM"), and owner of Roark, Rearden & Hamot, Inc. ("RRHI"), since 1997, and President of Roark, Rearden & Hamot, LLC ("RRH") since 2002. RRH is a general partner of, and RRHCM is the investment manager to, Costa Brava Partnership III L.P. ("Costa Brava"), whose principal business is to make investments in, buy, sell, hold, pledge and assign securities. Mr. Hamot has been a director of the Company since June 18, 2007. Mr. Hamot was nominated for election by Costa Brava, a holder of the Public Preferred Stock. Mr. Hamot is presently also the chairman and CEO of Spy, Inc. (NASDAQ: Spy), an eyewear company and a director of Cinova, a video solutions company. Until December 2016, Mr. Hamot was a director of Piksel, Inc., a video solutions company. Previously, he served as chairman of TechTeam Global, Inc. and Bradley Pharmaceutical, Inc.</p> <p>Mr. Hamot was elected pursuant to the Company's governing documents by the holders of the Public Preferred Stock and his election is not subject to any recommendations for election by the Board. The holders of the Public Preferred Stock have not advised the Company of the specific experience, qualifications, attributes or skills that led to the conclusion that Mr. Hamot should serve as a director.</p>
Andrew Siegel	R. 48	<p>Managing Member, White Bay Capital Management, LLC. Mr. Siegel has been a director of the Company since June 18, 2007. Mr. Siegel was nominated by Costa Brava, a holder of the Public Preferred Stock. Mr. Siegel was a Senior Vice President of RRHCM from 2005 to December 2008. Prior to joining RRHCM, from July 2003 to February 2004, Mr. Siegel was a member of DebtTraders Ltd. Previously, Mr. Siegel served on the Board of TechTeam Global, Inc. Mr. Siegel received a Bachelor's Degree from American University and a Master's Degree in Business Administration from the University of Maryland.</p> <p>Mr. Siegel was elected pursuant to the Company's governing documents by the holders of the Public Preferred Stock and his election is not subject to any recommendations for election by the Board. The holders of the Public Preferred Stock have not advised the Company of the specific experience, qualifications, attributes or skills that led to the conclusion that Mr. Siegel should serve as a director.</p>

If the Company had received nominations for Class D Directors, holders of the Public Preferred Stock would have been eligible to vote at the Annual Meeting on the election of Class D Directors and on no other matter before the Annual Meeting.

Biographical Information Concerning the Company's Executive Officers

Set forth below is biographical information concerning our executive officers, who are appointed by the Board of Directors and serve until their successors are appointed and qualified.

Name	Age	Biographical Information
Michele Nakazawa	59	Executive Vice President, Chief Financial Officer. Ms. Nakazawa joined the Company in March 2004 as Vice President and Controller. Ms. Nakazawa was promoted to Senior Vice President and appointed to serve as CFO in January 2005, and promoted to Executive Vice President in 2008. Ms. Nakazawa also serves as Treasurer for Telos ID at the request of the Company. Ms. Nakazawa has over 30 years' experience in finance and accounting. Prior to joining the Company, she held various positions, including CFO of Ubizen, Inc., a U.S. subsidiary of a publicly held Belgian company, from 1999 to 2003; Controller and Treasurer of National Security Analysts, Inc. from 1991 to 1997; and financial analyst for Federal Systems Division of IBM, Inc. from 1983 to 1990. Ms. Nakazawa is also a former Director and Treasurer for HealthWorks for Northern Virginia, a non-profit community health center. Ms. Nakazawa is a Certified Public Accountant and holds a Master's of Science in Accounting from American University and a Bachelor of Arts in Chemistry from Goucher College.
Edward L. Williams	56	Executive Vice President, Chief Operating Officer. Mr. Williams joined the Company in 1993 as a Senior Vice President responsible for finance, pricing, purchasing, and Defense Contract Audit Agency compliance. In 1994, his responsibilities were expanded to include accounting and business development. In 1996, Mr. Williams was assigned to manage the Company's networking business unit. In 2000, his responsibilities were expanded to include management of the Company's operations. Mr. Williams was named Executive Vice President and COO in 2003 and Interim CFO in October 2003. He stepped down as Interim CFO of the Company in January 2005. Prior to joining the Company, Mr. Williams was the CFO for Centel Federal Systems and M/A.com Information Systems, both of which are U.S. Government contractors. Mr. Williams has a Bachelor of Science in Finance from the University of Maryland.
Jefferson V. Wright	61	<i>Executive Vice President, General Counsel.</i> Mr. Wright joined the Company on December 31, 2012 as Executive Vice President and General Counsel. Prior to joining the Company, Mr. Wright was a principal at Miles & Stockbridge P.C., a leading Mid-Atlantic regional law firm with its principal office in Baltimore, Maryland, where he practiced law for approximately 31 years. Mr. Wright is also an Executive Committee member of the Equal Justice Counsel of the Legal Aid Bureau of Maryland. Mr. Wright was admitted to practice in the State of Maryland in 1981 and as a Virginia Corporate Counsel in the Commonwealth of Virginia in 2013. He is a member of the Bars of various courts, including the United States District Court for the District of Maryland, the United States Court of Appeals for the Fourth Circuit, and the Supreme Court of the United States, among others, and the Maryland State Bar Association, the Virginia State Bar, the American Bar Association, and the Federal Bar Association. Prior to joining Miles & Stockbridge in 1981, Mr. Wright clerked for J. Dudley Digges, Associate Judge on the Court of Appeals of Maryland, that State's highest court. Mr. Wright was educated at Georgetown University Law Center in Washington, D.C. (<i>J.D., 1980, with Honors</i>), Tufts University in Medford, Massachusetts (<i>B.A., 1977, Magna Cum Laude</i>), and Landon School in Bethesda, Maryland.
Emmett J. Wood	46	Executive Vice President, Marketing & Strategy. Mr. Wood joined the Company in 1996 and worked in various roles at the Company and Enterworks, Inc. in both a marketing and business development capacity. He worked on the federal sales team, commercial and partner/channel groups and most recently served as director of commercial and channel sales. In January 2010, Mr. Wood was promoted to Vice President, Marketing. He is responsible for brand management, marketing communications, sponsorships and events, media and analyst relations, government relations, employee communications and corporate community relations. On April 1, 2013, Mr. Wood was promoted to his current position. In addition to his duties related to marketing, Mr. Wood works with senior management in developing the overall corporate strategy and planning. Previously, he also worked in the sales and marketing groups at Dow Jones, Inc. and The Wall Street Journal. Mr. Wood is a graduate of Georgetown University, with a B.A. in political science. Mr. Wood is the brother of Mr. John B. Wood, the President, Chief Executive Officer and Chairman of the Board of the Company.

Brendan D. Malloy	51	<i>Senior Vice President, General Manager, Cyber Operations & Defense.</i> Mr. Malloy joined the Company in 1996, serving initially as a senior account executive before being promoted to director of Department of Defense ("DoD") Sales, and later to Vice President of DoD Sales. In January 2005, he was appointed Senior Vice President of Sales. He currently leads the Cyber Operations & Defense organization, which consists of the former Secure Networks and Information Assurance group, in support of opportunities in the DoD, federal agencies, and the intelligence community. Mr. Malloy is a member of the Armed Forces Communications and Electronics Association (AFCEA) and the Association of the United States Army (AUSA). He also serves on the Board of Directors for a Loudoun Virginia 501(c) youth basketball league. He previously held sales positions with QMS Federal and Printer Plus. Mr. Malloy is a 1988 graduate of Curry College.
Richard P. Tracy	56	Senior Vice President, Chief Security Officer. Mr. Tracy joined the Company in October 1986 and held a number of management positions within the Company. In February 1996, he was promoted to Vice President of the Telos information security group and in this capacity established a formidable information security consulting practice. In February 2000, Mr. Tracy was promoted to Senior Vice President for operations and helped launch the Xacta business lines, the Company's segment focusing on information security. Since that time, Mr. Tracy has pioneered the development of innovative and highly scalable enterprise risk management technologies that have become industry-leading solutions within the federal government and the financial services verticals. He is the principal inventor listed on five patents for the Xacta software. Mr. Tracy also served as Chief Technology Officer from 2005 to 2014.
Kenneth F. Fagan, Jr.	63	Vice President, Secure Communications, since March 1, 2017. Mr. Fagan leads the Secure Communications division, which supports military messaging programs with the Defense Information Systems Agency (DISA), Joint Staff, Combatant Commands, Military Services, Homeland Defense, Intelligence Community (IC), and other Department of Defense (DoD) and IC clients. Previously, he held the position of Senior Program Manager and Program Manager, with on-site responsibility for the Army Information Technology Agency's organizational messaging service and application management contract at the Pentagon Telecommunication Center. Mr. Fagan's experience ranges from materiel management and operations research to information technology acquisition and program management. He is intimately familiar with DoD and IC acquisition program policies and procedures and holds an Acquisition Level III Certification in Program Management from Defense Acquisition University. Before joining Telos in February 2012, Mr. Fagan spent almost 35 years serving in increasingly responsible management positions within the Department of Defense, including DISA, Office of the Assistant Secretary of Defense. (Production and Logistics), United States Army Communications and Electronics Command, and Tobyhanna Army Depot. Mr. Fagan earned a Bachelor's Degree in Business Administration from Lemoyne College (1975) and a Master of Business Administration in Management (1982) from Fairleigh Dickinson University. He is a graduate of the Leadership for a Democratic Society course at the Federal Executive Institute and a Federal Computer Week Federal 100 Award Winner.
Rinaldi Pisani	48	Senior Vice President, Sales & Alliance, since December 2014. Mr. Pisani leads the Company's corporate sales team and is responsible for selling Telos-branded solutions, such as Xacta, and services into federal, commercial and global markets. He is also responsible for supporting strategic partnerships and alliances. From December 2013 to December 2014, Mr. Pisani held the position of Senior Vice President, Strategic Business Development, where he was responsible for overseeing Telos' corporate level business development and capture activities as well as the integration of new partners and technologies. Mr. Pisani joined Telos in 2000 and served as senior Army account manager and team lead and director of Army and DoD sales. He was later appointed vice president of business development for information assurance solutions and in 2010 became vice president and general manager of the information assurance solution area. Mr. Pisani was then vice president of cyber application solutions, providing oversight and management for a broad range of cybersecurity solutions, including Xacta IA Manager and SE7EN, for customers in the DoD, federal agencies, and the intelligence community. Before joining Telos, Mr. Pisani held several positions with Westwood Computer, leaving as national government sales manager. Mr. Pisani is a graduate of the Georgetown University School of Foreign Service, with a B.S., international economics.
David S. Easley	46	Vice President, Finance and Controller. Mr. Easley joined the Company in April 2005 as Director of Finance & Accounting. In October 2005, Mr. Easley was promoted to Controller. Prior to joining the Company, Mr. Easley held various positions, including Controller, for Applied Predictive Technologies, Inc., a software and consulting company, and Senior Accountant with Beers & Cutler PLLC (now part of Baker Tilly Virchow Krause LLP) in Washington, D.C. Mr. Easley is a Certified Public Accountant and holds a Bachelor of Science in Accounting from the University of Kentucky.

Mark Griffin	57	
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President, General Manager, Telos Identity Management Solutions, LLC ("Telos ID"). Mr. Griffin joined the Company in 1984 as program manager. He was promoted to Vice President for the Company's Traditional Business Division in January 2004 and to Vice President, Identity Management, effective January 2007. In April 2007, he was appointed to head the newly formed Telos ID. Mr. Griffin has over 30 years' experience in government IT contracting, materials management and systems integration projects in the electronics and communications fields. He has been involved in day-to-day operations of and has had overall management responsibility for many of Telos' most critical programs for the Army, Navy, Federal Aviation Administration, DMDC, General Services Administration and Immigration and Naturalization Services. Mr. Griffin holds a Bachelor of Science in Engineering from Virginia Polytechnic Institute and State University.

Each of our directors and executive officers is a United States citizen.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of the Company's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of any equity securities of the Company. Based on a review of the copies of reports received and written representations from our reporting persons, we have determined that no Section 16(a) reports were filed late. To the best of the Company's knowledge, all required reports were filed on a timely basis.

Corporate Governance

John B. Wood is both the Chairman of the Board of Directors and the Chief Executive Officer of the Company. The Company's policy as to whether the roles of the Chairman and the Chief Executive Officer should be separate is to adopt the practice that best serves the Company's needs at any particular time. The Board of Directors believes that combining the Chairman and Chief Executive Officer positions is currently the most effective leadership structure and is in the best interests of the Company's stockholders because of Mr. Wood's long tenure with the Company, including as the Chief Executive Officer, and his broad knowledge and experience with the Company's stockholders, partners, and vendors. The Board of Directors may decide to separate or combine the roles of Chairman and Chief Executive Officer, if appropriate, at any time in the future. The Company has no lead independent director.

The Company operates under a Proxy Agreement, which governs the relationship between the Company and certain of its foreign stockholders that, directly and indirectly, hold approximately 36% of the outstanding shares of Common Stock. Pursuant to such Proxy Agreement, a Proxy Board has been established, which consists of independent Board members Harris and Mahan. A third member, another qualified Board Member, will be appointed to the Proxy Board in 2017 upon approval by the parties to a new Proxy Agreement. Under the Proxy Agreement, the Proxy Board has the authority to vote 15,801,802 shares of Class A Common Stock at the Annual Meeting.

The Board of Directors has adopted a Code of Ethics and Business Conduct applicable to our Chief Executive Officer, Chief Financial Officer, and Controller. The Code of Ethics and Business Conduct is available on our website at www.telos.com. In the event that the Board of Directors amends our Code of Ethics and Business Conduct or grants a waiver from the Code of Ethics and Business Conduct, the Company will provide timely notice of such amendment or waiver on its website.

Independence of Directors

The Company has adopted the director independence standards that are summarized below. The Company's director independence standards are based upon NASDAQ Listing Rule 5605. Pursuant to NASDAQ Listing Rule 5605(b)(1), a majority of directors of the Board will be independent. Pursuant to NASDAQ Listing Rule 5605(a)(2), a director will not be independent if,

(A) At any time during the past three years he was employed by the Company;

(B) He accepted, or has a family member who accepted, any compensation from the Company in excess of \$120,000 during any period of twelve consecutive months within the three years preceding the determination of independence other than the following: (i) compensation for board or board committee service; (ii) compensation paid to a family member who is an employee (other than an executive officer) of the Company; or (iii) benefits under a tax-qualified retirement plan, or non-discretionary compensation;

(C) He is a family member of an individual who is, or at any time during the past three years was, employed by the Company as an executive officer;

(D) He is, or has a family member who is, a partner in, or a controlling shareholder or executive officer of, any organization to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, other than the following: (i) payments arising solely from investments in the Company's securities; or (ii) payments under non-discretionary charitable contribution matching programs;

(E) He is, or has a family member who is, employed as an executive officer of another entity where at any time during the past three years any of the executive officers of the Company served on the compensation committee of such other entity; or

(F) He is, or has a family member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years.

Pursuant to the independence standards set forth above, the Board has determined that the following directors and nominees meet the Company's independence standards and therefore are independent: Bernard C. Bailey, David Borland, Bruce R. Harris, Charles S. Mahan, and Robert J. Marino. Based on these standards, the Board determined that the following directors are not independent: John W. Maluda and John B. Wood. Additionally, due to conflicts of interest, both Seth W. Hamot and Andrew R. Siegel were determined not to be independent.

Role in Risk Oversight

As part of its general responsibility to manage the Company's business, the Board of Directors has oversight responsibility with respect to risk management. The Board of Directors has delegated primary responsibility for risk oversight and the monitoring of the Company's significant areas of risk to the Audit Committee. In accordance with its charter, the Audit Committee discusses with management the Company's major policies with respect to risk assessment and risk management. The Audit Committee regularly reports the results of these discussions to the Board of Directors.

Meetings of the Board of Directors and Committees of the Board of Directors

During the fiscal year ended December 31, 2016, the Board of Directors held five meetings. Each director attended at least 75%, in the aggregate, of all meetings of the Board and the respective committees of the Board on which they served in person or by phone.

The Company encourages all directors to attend annual meetings of stockholders. Five of the nine directors, namely Messrs. Borland, Mahan, Maluda, Marino, and Wood, attended the Company's annual meeting of stockholders in 2016.

The Company has standing Audit, Management Development and Compensation, and Nominating and Corporate Governance Committees.

Audit Committee

The Audit Committee was established 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 registered public accounting firm's qualifications and independence, and (4) the performance of the Company's internal audit function and independent registered public accounting firm. In 2016, the Audit Committee consisted of directors Bailey (chairman), Mahan, and Marino. Mr. Marino became a member of the Audit Committee on March 29, 2016. In 2016, the Audit Committee met four times. The Board of Directors has adopted an Audit Committee charter, which is available on the Company's website at www.telos.com. The Board has determined that Mr. Bailey is an "audit committee financial expert" as defined by rules adopted by the SEC and is independent.

Management Development and Compensation Committee

The Management Development and Compensation Committee (the "Compensation Committee") was established for the purpose of reviewing, determining and approving all forms of compensation to be provided to the Company's executive officers and directors, and any stock compensation to be provided to all employees. In 2016, the Compensation Committee consisted of directors Borland, Harris, and Marino (chairman). On March 29, 2016, Mr. Marino became the chairman of the Compensation Committee. The Compensation Committee met three times during the year 2016. The Board of Directors has adopted a Compensation Committee charter, which is available on the Company's website at www.telos.com.

Neither the Compensation Committee nor management engaged a compensation consultant in 2016 to provide advice or recommendations on the amount or form of executive or director compensation.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee (the "Nominating Committee") was established to make recommendations regarding Board nominations and to monitor the implementation of corporate governance rules and regulations. The Nominating Committee consists of directors Borland (chairman), Mahan, Marino, and Wood. In 2016, the Nominating Committee did not meet in person and acted once by unanimous written consent without a meeting. The Board of Directors has adopted a Nominating Committee charter which is available on the Company's website at www.telos.com.

Board of Directors Nomination Process

The Nominating Committee identifies potential candidates for first-time nomination as a director by using a variety of sources such as recommendations from the Company's management, current Board members, stockholders, and contacts in organizations served by the Company. Stockholders may nominate potential candidates by following the procedure set forth in the Company's Bylaws. This process provides that, in order for nominations or other business to be properly brought before an annual meeting by a stockholder, the stockholder must deliver written notice to the Company's secretary at the Company's principal executive offices not less than sixty (60) days nor more than ninety (90) days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than thirty (30) days or delayed by more than sixty (60) days from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the ninetieth (90th) day prior to such annual meeting and not later than the close of business on the later of the sixtieth (60th) day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. The Nominating Committee will consider any director nominees submitted by stockholders in accordance with these procedures.

The Nominating Committee then conducts an initial review of the potential candidate's background, including whether he/she meets the minimum qualifications for Board members; whether the individual would be considered independent under the standards adopted by the Company and SEC rules; and whether the individual would meet any additional requirements imposed by law or regulation on members of the Audit and/or Compensation Committees of the Board. Among the requirements potential candidates should meet are the following: U.S. citizenship; eligibility for security clearance at a top secret level; ten (10) years of corporate or related business experience, preferably having served on the board of directors of a corporation; and familiarity with government contracts, the defense industry, and information technology and security. The evaluation process of a potential candidate's background will not be treated differently whether or not he/she was nominated by a stockholder, except for nominations received from holders of Public Preferred Stock, which are not subject to the Company's nomination process.

If the initial candidate review is satisfactory, the Nominating Committee will arrange an introductory meeting with the candidate and the committee's chairman, the Company's CEO, or other directors to determine the potential candidate's interest in serving on the Board. If the candidate is interested in serving on the Board and the Nominating Committee recommends further consideration, a comprehensive interview conducted by the Nominating Committee, the CEO, other members of the Board, and in some cases, key Company executives, follows. Upon successful conclusion of

the review process, the Nominating Committee will present the candidate's name to the Board of Directors for nomination as a director and inclusion in the Company's Proxy Statement.

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Stockholder Communications with Board of Directors

Stockholders wishing to communicate with the Board of Directors should send the communication by mail to the office of the Corporate Secretary (19886 Ashburn Road, Ashburn, VA 20147) who will forward such communication to the appropriate committee of the Board of Directors or to the individual director. There have been no changes in the procedures by which stockholders may recommend nominees to the Company's board of directors.

Certain Relationships and Related Transactions

Our policies and practices with respect to related person transactions were adopted on October 25, 2007, and are available on our website at www.telos.com. Generally, any transaction between Telos and a related party in which the aggregate amount exceeds \$120,000 is reviewed by the Audit Committee and subject to the ratification and approval of the Board of Directors. For purposes of this policy, a related person is any director or executive officer of Telos, any nominee for director, any holder of 5% or more of the Company's voting securities, any immediate family members of the foregoing persons, and any firm, corporation or other entity in which any of the foregoing persons is employed or is a partner or principal or in a similar position or in which such person has 10% or greater beneficial ownership interest.

Mr. Emmett Wood, the brother of our Chairman and CEO, has been an employee of the Company since 1996 and currently holds the position of Executive Vice President, Marketing & Strategy. The amounts paid to Mr. Emmett Wood as compensation for 2016, 2015, and 2014, were \$559,882, \$305,346, and \$445,550, respectively. The Company and Mr. Emmett Wood entered into an Amended Employment Agreement on May 13, 2013. This agreement is substantially similar to the employment agreements between the Company and Mr. Williams, Mr. Wright and Ms. Nakazawa, also described under the caption "Executive Officer Employment Agreements" beginning on page 19. Mr. Emmett Wood owned 650,000 shares and 50,000 shares of the Company's Class A Common Stock and Class B Common Stock, respectively, as of December 31, 2016.

On March 31, 2015, the Company entered into Subordinated Loan Agreements and Subordinated Promissory Notes ("Notes") with affiliates of Mr. John R. C. Porter (referred to collectively as "Mr. Porter"). Mr. Porter and Toxford Corporation, of which Mr. Porter is the sole shareholder, own 39.3% of our Class A Common Stock. Under the terms of the Notes, Mr. Porter loaned the Company \$2,500,000 on or about March 31, 2015. Telos also entered into a Subordination and Intercreditor Agreement with Mr. Porter and Wells Fargo Capital Finance, LLC ("Wells Fargo"), our senior lender at that time. According to the terms of the Notes, the outstanding principal sum would bear interest at the fixed rate of twelve percent (12%) per annum which would be payable in arrears in cash on the 20th day of each May, August, November and February, with the first interest payment date on August 20, 2015. The Notes do not call for amortization payments and are unsecured. The unpaid principal, together with interest, is due and payable in full on July 1, 2017. The Notes, in whole or in part, may be repaid at any time without premium or penalty. The outstanding principal sum under the Notes, as of December 31, 2016, was \$2,500,000, and the Company accrued approximately \$529,000 of interest on the Porter Notes as of December 31, 2016.

Legal Proceedings With 10% Beneficial Owner of the Company's Stock and With Directors

Costa Brava Partnership III, L.P.

As previously reported, on October 17, 2005, Costa Brava Partnership III, L.P. ("Costa Brava"), a holder of Public Preferred Stock, instituted litigation against the Company and certain past and present directors and officers in the Circuit Court for Baltimore City, Maryland (the "Circuit Court"). A second holder of the Company's Public Preferred Stock, Wynnefield Small Cap Value, L.P. ("Wynnefield"), subsequently intervened as a co-Plaintiff (Costa Brava and Wynnefield are hereinafter referred to as "Plaintiffs"). On February 27, 2007, Plaintiffs added, as an additional defendant, Mr. John R. C. Porter, a holder of the Company's common stock and Senior Redeemable Preferred Stock.

In the litigation, Plaintiffs allege, among other things, that the Company and its officers and directors engaged in tactics to avoid paying dividends on the Public Preferred Stock, that the Company made improper bonus payments or

awards to officers and directors, that certain former and present officers and directors breached legal duties or the standard of care that they owed the Company, that the Company improperly paid consulting fees to and engaged in loan transactions with Mr. Porter, that the Company failed to improve on the Company's purported insolvency, that the Company failed to redeem the Public Preferred Stock as allegedly required by the Company's charter, and shareholder oppression against Mr. Porter.

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On December 22, 2005, the Company's Board of Directors established a special litigation committee ("Special Litigation Committee"), composed of certain independent directors, to review and evaluate the matters raised in the litigation. On July 20, 2007, the Special Litigation Committee, in its final report, concluded that the available evidence did not support Plaintiffs' derivative claims and that it was not in the best interests of the Company to pursue such claims in the litigation. On August 24, 2007, the Company moved to dismiss Plaintiffs' derivative claims based upon the report and to dismiss all remaining claims for failure to state a claim. Following an evidentiary hearing, the Circuit Court dismissed all derivative claims based upon the recommendation of the Special Litigation Committee on January 7, 2008.

On February 12, 2008, the Plaintiffs filed a Third Amended Complaint that included both new counts and previously dismissed counts. The Company moved to dismiss or strike the Third Amended Complaint and, on April 15, 2008, the Circuit Court issued an order dismissing with prejudice all counts in the Third Amended Complaint that were not previously disposed of by motion or stipulation. On December 2, 2008, the Company filed a motion for voluntary dismissal of its counterclaim against Plaintiffs (for their interference with the Company's relationship with Wells Fargo) without prejudice. The Circuit Court granted that motion, over Plaintiffs' opposition, on January 23, 2009.

Following Plaintiffs' appeal of the dismissal of their derivative claims and shareholder oppression claim, on September 7, 2012, the Court of Special Appeals of Maryland ruled that the Circuit Court applied an incorrect standard of review to evaluate the conclusions of the Special Litigation Committee. The Court of Special Appeals held that the Circuit Court's dismissal of a shareholder oppression claim (asserted against Mr. Porter) raised an issue of first impression under Maryland law and required further briefing in the Circuit Court. The Court of Special Appeals vacated the decision of the Circuit Court that had been appealed, and remanded the case for further consideration and proceedings.

On October 24, 2012, the Company filed a petition for writ of certiorari in the Court of Appeals of Maryland, which was denied on January 22, 2013.

On remand, the Circuit Court held a status and scheduling conference on July 26, 2013, as a result of which the Circuit Court issued a memorandum to counsel setting a briefing schedule to address the motion filed by the Company and other defendants to dismiss or otherwise dispose of the derivative claims as a result of the findings of the Special Litigation Committee in its final report of July 20, 2007. On November 1, 2013, the Defendants filed a Motion to Dismiss the derivative claims under the standard of review dictated by the opinion of the Court of Special Appeals. Plaintiffs filed their Opposition to the Motion on December 23, 2013, and Defendants filed their Reply on January 23, 2014. A hearing on the Motion to Dismiss was held on April 24, 2014 in the Circuit Court. No decision has been rendered on the Company's Motion to Dismiss or otherwise dispose of the derivative claims, and the matter remains pending.

On September 17, 2013, the Plaintiffs filed a request for an entry of an order for default as to Mr. Porter, which was denied by the Circuit Court on November 8, 2013. Mr. Porter ultimately filed a motion to dismiss the claim against him on May 13, 2014, raising multiple grounds. No decision has been rendered on Mr. Porter's motion to dismiss, and the matter remains pending.

As of December 31, 2016, Costa Brava and Wynnefield own 12.7% and 17.3%, respectively, of the outstanding Public Preferred Stock.

No material developments occurred in this litigation in 2016.

At this stage of the litigation, it is impossible to reasonably determine the degree of probability related to Plaintiffs' success in relation to any of their assertions in the litigation. Although there can be no assurance as to the ultimate outcome of the case, the Company and its present and former officers and directors strenuously deny Plaintiffs' allegations and continue to vigorously defend the matter and oppose all relief sought by Plaintiffs.

Hamot et al. v. Telos Corporation

As previously reported, since August 2, 2007, Messrs. Seth W. Hamot and Andrew R. Siegel, principals of Costa Brava Partnership III L.P. ("Costa Brava") and Class D Directors of the Company ("Class D Directors"), have been involved in litigation against the Company in the Circuit Court for Baltimore City, Maryland (the "Circuit Court"). The Class D Directors initially alleged that certain documents and records had not been promptly provided to them and were necessary to fulfill their duties as directors of the Company. Subsequently, the Class D Directors further alleged that the Company had failed to follow certain provisions concerning the noticing of Board committee meetings and the recording of Board meeting minutes and, additionally, that Mr. Wood's service as both CEO and Chairman of the Board was improper and impermissible under the Company's Bylaws. The Class D Directors did not seek damages in connection with their books and records claims.

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By way of preliminary injunctions entered on August 28, 2007 and September 24, 2007, the Circuit Court ordered that the Class D Directors are entitled to documents in response to reasonable requests for information pertinent and necessary to perform their duties as members of the Board but, in light of the Costa Brava shareholder litigation, the Company is entitled to designate certain documents as "confidential" or "highly confidential" and to withhold certain documents from the Class D Directors based upon the attorney work product doctrine or attorney-client privilege. Pursuant to the preliminary injunctions, the Class D Directors are also entitled to receive written responses to requests for Board of Directors or Board committee minutes within seven days of any such requests and copies of such minutes within fifteen days of any such requests, as well as written responses to all other requests for information and/or documents related to their duties as directors within seven days of such requests, and all Board of Directors appropriate information and/or documents within thirty days of any such requests.

On April 23, 2008, the Company filed a counterclaim against the Class D Directors for money damages and preliminary and injunctive relief based upon the Class D Directors' interference with, and improper influence of, the Company's independent auditors regarding, among other things, a specific accounting treatment. On June 27, 2008, the Circuit Court granted the Company's motion for preliminary injunction and enjoined the Class D Directors from contacting the Company's auditors until the completion of the Company's Form 10-K for the preceding year. This preliminary injunction expired by its own terms and an appeal from that order was held to be moot by the Court of Special Appeals of Maryland.

On April 12, 2010, the Class D Directors filed a motion for the advancement of legal fees and expenses incurred in defense of the Company's counterclaim. On November 3, 2011, the Circuit Court denied the Plaintiffs' motion, as well as the Plaintiffs' motion for partial summary judgment and request for attorneys' fees. On May 21, 2012, the Circuit Court denied Plaintiffs' motion for reconsideration of the same.

Trial on both the Class D Directors' books and records claims and the Company's counterclaims for damages related to the auditor interference commenced on July 5, 2013, and continued on several days in July 2013. The evidentiary portion of the trial concluded on August 1, 2013, and post-trial briefing concluded on September 16, 2013. The court decision on these matters is still pending and no material developments occurred in this litigation in 2016.

At this stage of the litigation it is impossible to reasonably determine the degree of probability related to the Class D Directors' success in any of their assertions and claims, or whether such success would entitle them to monetary relief, although the Company notes that Class D Directors did not seek damages as a part of their books and records claim. Although there can be no assurance as to the ultimate outcome of these proceedings, the Company and its officers and directors strenuously deny the Class D Directors' claims, and will vigorously defend the matter, and continue to oppose the relief sought.

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Report of the Audit Committee

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including internal control over financial reporting. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management the audited financial statements for the fiscal year ended December 31, 2016, including the quality and acceptability of accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements included in the Company's Annual Report on Form 10-K.

The Audit Committee discussed with the independent registered public accounting firm, who is responsible for expressing an opinion on conformity of those audited financial statements with U.S. generally accepted accounting principles, the firm's judgment as to the quality and acceptability of the Company's accounting principles and such other matters as are required to be discussed with the independent registered public accounting firm under the Public Company Accounting Oversight Board ("PCAOB") Auditing Standards No. 1301 (Communications with Audit Committees). In addition, the Audit Committee discussed with the independent registered public accounting firm the firm's independence from management and the Company and received the written disclosures and the letter from the independent accountant required by applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence. The Audit Committee also considered whether the provision of non-audit related services by the independent registered public accounting firm was compatible with maintaining the firm's independence and found it to be acceptable.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 for filing with the Securities and Exchange Commission.

Bernard C. Bailey, Chairman
Charles S. Mahan, Jr.
Robert J. Marino

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Compensation of Executive Officers and Directors

Compensation Discussion and Analysis

Compensation Philosophy and Objectives

The Management Development and Compensation Committee ("Compensation Committee"), which is responsible for the execution and adherence to our compensation philosophy, implemented a new compensation philosophy in 2014 that generally remained in effect during 2016. This compensation program is designed to support the achievement of our business and financial goals.

The primary objectives of the compensation program are:

- To attract and retain highly talented and results-oriented key employees;
- To secure the future performance of services of those employees;
- To encourage key employees to put forth maximum efforts for both the short-term and long-term success of the Company;
- To drive achievement of the Company's long-term growth and profitability objectives;
- To reward performance; and
- To achieve increased stockholder value.

The individual components of the compensation program (base salary, incentive cash compensation, equity incentive compensation, and perquisites) are designed to meet these objectives and together are intended to be competitive in the marketplace. The overall compensation package is, however, based on the following considerations:

- Compensation should consist of fixed and at-risk compensation, with the at-risk compensation encouraging improved annual and long-term performance.
- Compensation should be a mix of annual and long-term compensation, with the long-term compensation encouraging retention and attainment of long-term performance goals.
- Compensation should be a mix of cash and equity, with cash rewarding achievement of goals and equity encouraging retention and long-term performance. Additionally, the Compensation Committee continues to believe in equity ownership by the management team to align the interests of management with our long-term corporate performance.

We held our second advisory vote on executive compensation, commonly referred to as "say on pay," at our 2014 Annual Meeting of Stockholders. The holders of our Common Stock approved the "say on pay" resolution presented at the 2014 Annual Meeting of Stockholders with 74.3% of the votes cast to approve the compensation of our named executive officers as disclosed in our proxy statement relating to that annual meeting. The next advisory vote on executive compensation will take place at the Annual Meeting.

At the 2011 Annual Meeting of Stockholders, the holders of Common Stock selected three years as the frequency of the say-on-pay vote. The next vote to determine the frequency of the advisory vote on executive compensation will take place at the Annual Meeting.

Mr. John Wood has no role in the establishment of his individual compensation. Except as set forth below in the description of the incentive compensation program, the compensation program calls for Mr. Wood to propose to the Compensation Committee the compensation for Messrs. Williams, Wright, Malloy and Ms. Nakazawa in 2016. Then the Compensation Committee will review these recommendations and, following discussions with Mr. Wood, determine the appropriate compensation for those executives. In addition, the compensation plan calls for Mr. Wood to determine the compensation of the other senior officers consistent with the philosophy and objectives described above.

Base Salary

We provide our executive officers and employees with a base salary to compensate them for services rendered during the fiscal year. The relative levels of base salary for executive officers are designed to reflect each executive officer's professional expertise and scope of responsibility and accountability within the Company, the Company's financial performance and the named executive officer's individual performance. Base salaries are generally established at levels sufficient to attract and retain an effective management team when considered in connection with the performance-based components of our overall compensation program. In 2016, there were no changes in the base salary of the named executive officers.

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Incentive Cash Compensation

On March 27, 2014, the Compensation Committee approved and ratified the Telos Corporation Senior Officer Incentive Program (the "Plan"). The purpose of the Plan is to grant cash bonus awards to certain key senior officers, which includes our named executive officers, in order to provide eligible officers with an incentive to put forth maximum efforts for both the short-term and long-term success of the Company and to drive achievement of our long-term growth and profitability objectives. The 2016 awards under the Plan provided eligible participants the opportunity to earn an incentive award based upon the Company achieving a defined amount of enterprise target EBITDA for the year and achievement of subjective management business objectives established by the Compensation Committee (the "MBO Bonus") and an incentive award based upon achievement of our three-year strategic growth plan (the "Strategic Growth Bonus"). The Plan consists of elements for both short-term and long-term goals, as well as short-term and long-term incentives. The 2016 awards required that the Company achieve an enterprise target EBITDA performance goal before the payment of any incentive compensation under the MBO Bonus Plan. If the Company achieves the enterprise target EBITDA performance goal for the applicable year, the Compensation Committee retains the discretion to decrease, but not to increase, the amount of any MBO Bonus even if the enterprise target EBITDA performance goal was not exceeded based on an evaluation of subjective management business objectives. Under the Plan, 60% would be payable in lump sum in early 2017. The remaining 40% would be payable in equal installments (without interest) on the last day of each of the eight calendar quarters of 2017 and 2018 unless the employment of such named executive officer is terminated for any reason (other than death or disability) prior to the next scheduled quarterly payment date. The Plan is administered by the Compensation Committee, and determinations by the Compensation Committee are final, conclusive and binding on all parties. Any sums payable under the Plan are subject to the Company having sufficient cash and liquidity to pay the bonuses.

For 2016, the Compensation Committee established an aggregate total bonus pool of \$7 million for both the MBO Bonus and a pre-existing bonus plan for other employees who are not participants in the Plan. The MBO Bonus budgeted amount of \$4 million for 2016 did not change from 2015. The \$3 million bonus pool, payable quarterly, awards division business line management and general and administrative senior managers and their respective employees based on achievement of quarterly targets. The 2016 annual bonus targets for Messrs. Wood, Williams, Wright, Malloy and Ms. Nakazawa were: \$1,100,000, \$550,000, \$425,000, \$330,000, and \$425,000, respectively. In setting these targets, the

Compensation Committee took into account each officer's role and contribution to the Company's performance, internal equity, the amounts of the annual bonuses paid to the officer in prior years, and, in the case of officers other than Mr. Wood, the recommendations of Mr. Wood.

The Compensation Committee established an annual enterprise EBITDA target of \$5 million for the MBO Bonus awards for the 2016 performance period. For purposes of the MBO Bonus awards, the Compensation Committee defined annual enterprise EBITDA as net loss before income taxes, interest expense, depreciation and amortization, and net income attributable to non-controlling interests as reflected in the audited financial statements of the Company included in the 2016 Form 10-K. The Compensation Committee believes enterprise EBITDA provides a meaningful understanding of the Company's core operating performance and is a highly valued measurement of performance widely used by financial professionals.

The subjective performance goals established under the Plan for the MBO Bonus for the 2016 performance period are directly related to the objectives contained in our 2016 budget and our long-term strategic plan. The performance goals based on the strategic plan vary according to business unit, business circumstances, and business function. Although certain executive officers have primary responsibility over the achievement of specific performance goals, the evaluation of each executive officer by the Compensation Committee partially takes into account the overall achievement of all of the performance goals. Mr. Wood also takes part in the evaluation of the performance of all the officers, other than himself. The Compensation Committee believes this approach aligns the interests of the executive officers and emphasizes teamwork, which is consistent with the Company's core values.

The Company achieved the enterprise EBITDA target in 2016. As a result, Messrs. Wood, Williams, Wright, Malloy and Ms. Nakazawa were awarded an MBO Bonus the 2016 performance period in the following amounts, respectively: \$1,100,000, \$550,000, \$425,000, \$330,000, and \$425,000, payable in installments as described above in accordance with the Plan. Each of the named executive officers were paid 60% of MBO Bonus for 2016. The remaining 40% of the MBO Bonus is payable to each of the named executive officers in equal installments (without interest) on the last day of each of the eight calendar quarters immediately following 2016 unless the employment of such named executive officer is terminated for any reason (other than death or disability) prior to the next scheduled quarterly payment date. As a result, Messrs. John Wood, Williams, Wright, and Malloy and Ms. Nakazawa were paid the following amounts, respectively, of their 2016 MBO Bonus for the 2016 performance period: \$660,000, \$330,000, \$255,000, \$198,000, and \$255,000.

The Plan also includes a target Strategic Growth Bonus component for participants. During 2016, each of the named executive officers were granted the opportunity to receive a Strategic Growth Bonus for the performance period beginning January 1, 2016, and ending December 31, 2018, which replaced the opportunity to receive a Strategic Growth Bonus granted in 2015 for the performance period beginning January 1, 2015 through December 31, 2017. The target amount of each award, if earned, is two and one-half times the amount of each participant's 2016 MBO Bonus target amount, and the participant's entitlement to payment of the target amount will be based upon successful achievement by the Company of a three-year aggregate enterprise EBITDA goal of \$60 million during the performance period before taking into account the payment of the Strategic Growth Bonuses. All Strategic Growth Bonuses are payable within two and one-half months following the end of the three-year performance period. If a participant's employment with the Company terminates for any reason (other than death or disability) prior to the last day of the three-year performance period, the participant's right to payment of a Strategic Growth Bonus for the performance period will be forfeited in its entirety. Upon the termination of a participant's employment by reason of death or disability, the participant will forfeit as of the termination of employment a portion of the Strategic Growth Bonus equal to the amount of the Strategic Growth Bonus initially granted to the participant for that performance period multiplied by a fraction, (i) the numerator of which will be the number of full calendar months from the date of the participant's cessation of employment to the end of the performance period, and (ii) the denominator of which will be the number of months representing the entire performance period (provided that the Compensation Committee is authorized to declare that a lesser percentage of the Strategic Growth Bonus will be forfeited). With respect to the portion of the Strategic Growth Bonus that is not so forfeited, the performance period will continue and the remaining percentage of the Strategic Growth Bonus that is earned or forfeited will be determined based upon the extent to which the applicable performance goals for such performance period have been achieved or exceeded. In the case of a change in control of the Company, all performance periods will be deemed to have ended as of the end of the most recent quarterly accounting period prior to the date of the change in control, all performance goals necessary to earn the maximum bonus for each performance period will be deemed to have been

achieved, and the full maximum bonus will be paid to a participant of his designated beneficiary, if applicable, in a single-sum payment on the date of the change in control.

As disclosed in the Company's proxy statement for the 2015 Annual Meeting of Stockholders, each of the named executive officers achieved the performance goals for each of their respective MBO Bonus awards for the first three quarters of 2014. As a result, each of the named executive officers were paid 60% of the quarterly payments during the first three quarters of 2014. The remaining 40% of those amounts is payable to each of the named executive officers in equal installments (without interest) on the last day of each of the eight calendar quarters immediately following 2014 unless the employment of such named executive officer is terminated for any reason (other than death or disability) prior to the next scheduled quarterly payment date. The employment of none of the named executive officers was terminated during 2015 or 2016. As a result, Messrs. Wood, Williams, Wright, and Malloy and Ms. Nakazawa earned the following amounts, respectively, of their 2014 MBO Bonus award in 2016: \$165,000, \$82,500, \$63,750, \$49,500, and \$63,750. The Company paid these amounts, and the portion of these MBO Bonus awards earned in 2015, in 2016.

Equity Compensation

The Board adopted the Telos Corporation 2013 Omnibus Long-Term Incentive Plan ("2013 Plan") on March 28, 2013, and it was subsequently approved by the holders of our Class A and Class B Common Stock at the Annual Meeting on May 13, 2013. No grants were made in 2016 under the 2013 Plan.

The Board adopted the Telos Corporation 2016 Omnibus Long-Term Incentive Plan ("2016 Plan") on August 12, 2016. It was not approved by the holders of our Class A and Class B Common Stock. The purpose of the 2016 Plan is to enhance the Company's ability to attract, motivate and retain highly qualified employees and to improve the business results and earnings of the Company by providing such persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company. To date, no grants have been made under the 2016 Plan.

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Perquisites

We provide certain perquisites to our executive officers in order to allow the executives to work more efficiently and to help us remain competitive by retaining talented and dedicated executives. These perquisites are limited to reimbursement for golf club membership, home office expenses, and, in certain circumstances, commuting costs. The Compensation Committee believes that the perquisites are consistent with our overall compensation program. See "All Other Compensation" of the Summary Compensation Table below for the amounts of the perquisites provided to the named executive officers.

Executive Officer Employment Agreements

We are a party to employment agreements with the following named executive officers: Mr. John B. Wood, President, CEO, Chairman and Director; Mr. Edward J. Williams, Executive Vice President and COO; Ms. Michele Nakazawa, Executive Vice President and CFO; Mr. Jefferson V. Wright, Executive Vice President and General Counsel; and Mr. Brendan D. Malloy, Senior Vice President, General Manager, Cyber Operations & Defense. All of the agreements provide for payment of a base salary, bonus, eligibility for stock option and restricted stock grants under our stock option and restricted stock plans, and vacation days. Each of the agreements also provides for eligibility to participate in all plans that we maintain for our salaried senior executives, including, without limitation, pension, profit-sharing or other retirement plans, life, accident, disability, medical, hospital or similar group insurance programs and any other benefit plan, subject to the normal terms and conditions of such plans.

According to the employment agreements, in the case of termination of the employment agreement for cause, or if the executive terminates the agreement for any reason (after providing 30 days prior written notice to us of such termination), such executive would only be entitled to receive the following:

- a lump-sum payment equivalent to the remaining unpaid portion of the executive's salary for the period ending on the date of termination,
- lump-sum payment for all accrued and unused paid time off,
-

any bonus which has been earned by the respective executive, but which remains unpaid as of the date of the executive's termination of employment, at such time and in such manner as if the executive had continued to be employed by us, and

- any other payments or benefits to be provided by us to the executive pursuant to any employee benefit plans or arrangements adopted by the Company (to the extent such benefits are earned and vested or are required by law to be offered) through the date of termination.

In the case of termination of the respective executive's employment without cause, or due to disability or death, the employment agreements provide for, in addition to the amounts payable under the preceding paragraph:

- a monthly payment equivalent to base salary then in effect over a period of 24 months in the case of Mr. John Wood, and 18 months then in effect for Messrs. Williams, Malloy and Wright and Ms. Nakazawa,
- immediate vesting of the unvested portion of any outstanding stock options and any outstanding shares of restricted stock,
- the cash equivalent of premium payments for continued coverage under the medical, dental, short and long-term disability, and life insurance and other similar plans equal to 24 months in the case of Mr. John Wood, and 18 months in the case of Messrs. Williams, Malloy and Wright and Ms. Nakazawa,
- the cash equivalent of the employer matching contribution as if the executive was still a plan participant under the Company's 401(k) plan that would otherwise have been contributed on the executive's behalf, based on certain assumptions, for a period of 24 months in the case of Mr. John Wood, and 18 months in the case of Messrs. Williams, Malloy and Wright and Ms. Nakazawa, and
- payment of premiums to continue the Executive Life Policy, in which the executive is the holder of the policy, for 24 months from the date of termination for Mr. Wood, and 18 months in the case of Messrs. Williams and Wright, and Ms. Nakazawa.

Under the agreements, termination by the Company "without cause" means involuntary termination at our discretion which is not based on cause, death, or disability. "Cause" is defined as gross negligence or willful and continued failure by the executive to substantially perform his duties as an employee of ours (other than any such failure resulting from incapacity due to physical or mental illness) or the executive's dishonesty, fraudulent misrepresentation, willful misconduct, malfeasance, violation of fiduciary duty relating to our business, or conviction of a felony. The executive is deemed "disabled" if he or she is eligible for disability benefits under our long-term disability plan, or has a physical or mental disability which renders the executive incapable, after reasonable accommodation, of performing substantially all of executive's duties under the agreement for a period of 180 consecutive or non-consecutive days in any 12-month period.

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Upon a "change in control" (as defined in the employment agreements) of the Company, each of the executives would be entitled to a lump-sum payment in the following amounts in addition to the amounts payable to the executive if the Company terminates the agreement for cause or the executive terminates the agreement for any reason:

- in the case of Mr. John Wood, (1) the amount of monthly salary that Mr. Wood was being paid as of the date of his termination of employment times 24 months, plus (2) two times the annual average of the bonuses earned or to be earned for the current year (i.e., the year in which the change of control occurs) and the two prior years;
- in the case of Mr. Williams, Mr. Wright and Ms. Nakazawa, (1) the amount of monthly salary that such executive was being paid as of the date of his or her termination of employment times 18 months, plus (2) one and one-half (1.5) times the annual average of the bonuses earned or to be earned for the current year and the two prior years; and
- in the case of Mr. Malloy, the amount of monthly salary that such executive was being paid as of the date of his termination of employment times 18 months.

For purposes of calculating the amounts payable to Mr. John Wood, Mr. Williams, Mr. Wright, and Ms. Nakazawa, the bonus amount for the current year is equal to the amount earned or scheduled to be earned as if the bonus targets set in the bonus plan have been met. In addition to these payments, the executives would also be entitled to a lump sum payment equal to (1) the cash equivalent of 24 months, in the case of Mr. Wood, or 18 months, in the case of Messrs. Williams, Wright, and Malloy and Ms. Nakazawa, of continued coverage under the medical, dental, short and long-term disability, and life insurance and other similar plans, (2) the cash equivalent of the employer matching contribution as if the executive was still a plan participant under the Company's 401(k) plan that would otherwise have been contributed on

the executive's behalf, based on certain assumptions, for a period of 24 months, in the case of Mr. John Wood, or 18 months, in the case of Messrs. Williams, Malloy and Wright and Ms. Nakazawa, and (3) payment of premiums to continue the Executive Life Policy, in which the executive is the holder of the policy, for 24 months from the date of termination for Mr. John Wood, and 18 months in the case of Messrs. Williams, Wright and Ms. Nakazawa.

For purposes of the employment agreements, a "change in control" means an occasion upon which (1) any one person, or more than one person acting as a group (other than a member of the Board of Directors or fiduciary holding securities under an employee benefit plan of the Company or a corporation controlled by the Company) directly or indirectly acquires securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities during the 12-month period ending on the date of the most recent acquisition of the Company's securities by such person or persons, or (2) during any period of twelve consecutive months, a majority of the members of the Board of Directors is replaced by directors whose appointment or election is not endorsed by a majority of the members of the Board of Directors before the date of the appointment or election, or (3) any one person or more than one person acting as a group acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) all, or substantially all, of the Company's assets. The foregoing lump-sum payments will be made contemporaneously with the consummation of the transaction or the election of directors that constitutes the change in control.

Other Employment Benefits

We maintain employee benefit and perquisite programs for our executive officers and other employees. We have no current plans to provide any other additional benefits for our executive officers. We believe that the benefits provided are competitive and consistent with industry practice.

Welfare Benefits. We have broad-based health, dental, vision, life and disability benefit programs that are available to all employees on an equal basis.

401(k) Savings Plan ("Telos Shared Savings Plan"). We sponsor a defined contribution employee savings plan which enables employees to contribute a certain percentage of their base salary to their savings plan accounts on a pre-tax basis, subject to federal tax limitations under the Internal Revenue Code. In previous years, we matched one half of employee contributions to the Telos Shared Savings Plan up to a maximum of 2% of such employee's eligible yearly base salary. Participant contributions vest immediately, and Company contributions vest at the rate of 20% for each year, with full vesting occurring after completion of five years of service. In 2015, the Company did not provide any matching to the employee contributions, and the Company match was reinstated in 2016.

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Telos ID Sale Bonus Plan

On November 10, 2016, the Board approved the Telos ID Sale Bonus Plan ("Telos ID Plan"). The purpose of the Telos ID Plan is to provide a long-term incentive program to motivate key executives of Telos ID to participate in the value creation of Telos ID and enjoy the benefits of participation in future increases in the value of Telos ID and its underlying assets. Participation in the Telos ID Plan is limited to the President of Telos ID and such other eligible executives of Telos ID selected to participate by the President. Mr. Mark Griffin is the only executive officer of the Company who participates in the Telos ID Plan.

The Company has a 50% ownership interest in Telos ID. Participants in the Telos ID Plan are entitled to a payment upon the transfer for value of all the Company's ownership interest in Telos ID or upon the occurrence of a "Sale" (as defined in the Telos ID Plan) of Telos ID if the value of Telos ID at the time of such transaction is at least \$50 million. The aggregate amount of the bonuses payable under the Telos ID Plan will equal 2.5% of the amount received by the Company upon the sale of either its ownership interest in Telos ID or the Sale of Telos ID up to \$85 million plus 4% of such amount in excess of \$85 million.

Management Development and Compensation Committee Report

The Management Development and Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and

discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by the Management Development and Compensation Committee of the Board,

Robert J. Marino, Chairman
David Borland
Bruce R. Harris

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SUMMARY COMPENSATION TABLE

The following table summarizes the compensation earned for the years ended December 31, 2016, 2015 and 2014 by the chief executive officer, chief financial officer, and the three other most highly-compensated executive officers.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary</u>	<u>Bonus¹</u>	<u>Non-Equity</u>	<u>All Other</u>	<u>Total</u>
				<u>Incentive Plan</u>	<u>Compensation²</u>	
John B. Wood Chairman, President and CEO	2016	\$ 600,000	\$ 165,000	\$ 660,000	\$ 50,486	\$ 1,475,486
	2015	600,000	165,000	---	47,534	812,534
	2014	600,000	495,000	---	41,410	1,136,410
Michele Nakazawa Executive V.P. and CFO	2016	375,000	63,750	255,000	12,564	706,314
	2015	375,000	163,750	---	7,264	546,014
	2014	375,000	191,250	---	14,493	580,743
Edward L. Williams Executive V.P. and COO	2016	385,000	82,500	330,000	33,666	831,166
	2015	385,000	82,500	---	23,259	490,759
	2014	385,000	247,500	---	34,281	666,781
Jefferson V. Wright Executive V.P., General Counsel	2016	350,000	63,750	255,000	56,531	725,281
	2015	350,000	63,750	---	52,484	466,234
	2014	350,000	191,250	---	43,394	584,644
Brendan D. Malloy Senior V.P. – Cyber Ops & Defense	2016	315,000	51,500	198,000	4,715	569,215
	2015	315,000	49,500	---	686	365,186
	2014	315,000	148,500	---	5,869	469,369

¹As disclosed in the Compensation Discussion & Analysis on page 16, the amounts listed for 2014 represent 60% of the MBO Bonus amounts awarded under the Telos Corporation Senior Officer Incentive Program (the "Plan") for the 2014 performance period. The remaining 40% of those amounts is payable to each of the named executive officers in equal installments (without interest) on the last day of each of the eight calendar quarters immediately following 2014 unless the employment of such named executive officer is terminated for any reason (other than death or disability) prior to the next scheduled quarterly payment date. The amounts listed for 2015 and 2016 represent the payments of those amounts paid in 2015 and 2016 respectively. The amount listed in 2015 for Ms. Nakazawa also includes a \$100,000 bonus awarded outside of the Plan in recognition of Ms. Nakazawa's exceptional performance in 2015. The amount listed in 2016 for Mr. Malloy also includes a \$2,000 anniversary bonus. No bonuses were awarded under the Plan for the 2015 performance period.

²As disclosed in the Compensation Discussion & Analysis on page 16, the amounts represent 60% of the MBO Bonus amounts awarded under the Plan based on the Company's achievement of the annual enterprise EBITDA target established by the Compensation Committee for the 2016 performance period. The remaining 40% of those amounts is payable to each of the named executive officers in equal installments (without interest) on the last day of each of the eight calendar quarters immediately

following 2016 unless the employment of such named executive officer is terminated for any reason (other than death or disability) prior to the next scheduled quarterly payment date.

³Amounts presented consist of the following in 2016:

<u>Name</u>	<u>Life Insurance and</u>			<u>Total All</u>
	<u>Long-Term</u>	<u>Savings Plan</u>	<u>Other</u>	
	<u>Disability Premium</u>	<u>Company Match</u>	<u>Perquisites¹</u>	<u>Compensation</u>
John B. Wood	\$ 21,505	\$ 5,300	\$ 23,681	\$ 50,486
Michele Nakazawa	7,264	5,300	----	15,564
Edward L. Williams	11,884	3,804	17,978	33,666
Jefferson V. Wright	19,730	5,300	31,501	56,531
Brendan D. Malloy	687	4,028	----	4,715

¹Includes reimbursement for golf club membership, home office expenses, and commuting costs.

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GRANTS OF PLAN-BASED AWARDS

<u>Name</u>	<u>Grant Date</u>	<u>Estimated Future Payouts</u>	
		<u>under</u>	
		<u>Non-Equity Incentive Plan</u>	
		<u>Awards</u>	
John B. Wood	8/11/2016	\$	1,100,000 ¹
	8/11/2016		2,750,000 ²
Michele Nakazawa	8/11/2016		425,000 ¹
	8/11/2016		1,062,500 ²
Edward L. Williams	8/11/2016		550,000 ¹
	8/11/2016		1,375,000 ²
Jefferson V. Wright	8/11/2016		425,000 ¹
	8/11/2016		1,062,500 ²
Brendan D. Malloy	8/11/2016		330,000 ¹
	8/11/2016		825,000 ²

¹Represents the amount of the MBO Bonus awards granted to the named executive officers under the Plan for the 2016 performance period as more fully described in the Compensation Discussion & Analysis starting on page 16. The Company achieved the enterprise EBITDA target in 2016. Each of the named executive officers were paid 60% of the amount of their respective MBO Bonus, which is reflected in the "Non-Equity Incentive Compensation Plan" column of the Summary Compensation Table. The remaining 40% of the MBO Bonus is payable to each of the named executive officers in equal installments (without interest) on the last day of each of the eight calendar quarters immediately following 2016 unless the employment of such named executive officer is terminated for any reason (other than death or disability) prior to the next scheduled quarterly payment date.

²Represents the amount of the Strategic Growth Bonus awards granted to the named executive officers under the Plan for the performance period beginning January 1, 2016, and ending December 31, 2018 as more fully described in the Compensation Discussion & Analysis starting on page 16. The amount of each award, if earned, is two and one-half times the amount of each participant's 2016 MBO Bonus target amount, and the participant's entitlement to payment of the target amount will be based upon successful achievement

by the Company of a three-year aggregate enterprise EBITDA goal of \$60 million during the performance period before taking into account the payment of the Strategic Growth Bonuses. All Strategic Growth Bonuses will be paid within two and one-half months following the end of the three-year performance period. All bonus payments are subject to the Company having sufficient cash and liquidity. If a participant's employment with the Company terminates for any reason (other than death or disability) prior to the last day of the three-year performance period, the participant's right to payment of a Strategic Growth Bonus for the performance period will be forfeited in its entirety. Upon the termination of a participant's employment by reason of death or disability, the participant will forfeit as of the termination of employment a portion of the Strategic Growth Bonus equal to the amount of the Strategic Growth Bonus initially granted to the participant for that performance period multiplied by a fraction, (i) the numerator of which will be the number of full calendar months from the date of the participant's cessation of employment to the end of the performance period, and the denominator of which will be the number of months representing the entire performance period (provided that the Compensation Committee is authorized to declare that a lesser percentage of the Strategic Growth Bonus will be forfeited). With respect to the portion of the Strategic Growth Bonus that is not so forfeited, the performance period will continue and the remaining percentage of the Strategic Growth Bonus that is earned or forfeited will be determined based upon the extent to which the applicable performance goals for such performance period have been achieved or exceeded. In the case of a change in control of the Company, all performance periods will be deemed to have ended as of the end of the most recent quarterly accounting period prior to the date of the change in control, all performance goals necessary to earn the maximum bonus for each performance period will be deemed to have been achieved, and the full maximum bonus will be paid to a participant or his designated beneficiary, if applicable, in a single-sum payment on the date of the change in control.

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The following table sets forth certain information regarding the vesting of shares of restricted stock held by named executive officers during fiscal year 2016:

STOCK VESTED

<u>Name</u>	<u>Number of Shares Acquired on Vesting</u>	<u>Value Realized on Vesting¹</u>
John B. Wood	300,000	\$ 3,000
Michele Nakazawa	100,000	1,000
Edward L. Williams	100,000	1,000
Jefferson V. Wright	250,000	2,500
Brendan D. Malloy	62,000	620

¹No public market exists for our Class A Common Stock. The value of our Class A Common Stock presented in the table was determined by the Compensation Committee in March 2013 based on available information that is material to the value of our Class A Common Stock, including a third party valuation report, the lack of a public market in our Class A Common Stock, the principal amount of our indebtedness, our obligations to the holders of our preferred stock, our actual and projected financial results, and fluctuations in the market value of comparable publicly traded companies in our industry.

Potential Payments Upon Termination

As disclosed above, the Company has entered into employment agreements with certain executive officers which provide for potential payments upon termination. The table below summarizes the potential payouts to Messrs. Wood, Williams, Wright, Malloy and Ms. Nakazawa, for the termination events described above assuming such termination occurred on December 31, 2016, the last business day of the Company's last completed fiscal year.

Salary	Accrued and Unused Vacation as of December 31, 2016	Benefits for 24 Months ¹	Cash Equivalent of Company Match to 401	Total
--------	--	--	--	-------

<u>John B. Wood</u>	Continuation for 24 Months	Bonuses to be Earned			(k) for 24 Months	
Termination without cause	\$ 1,200,000	\$ ----	\$ 69,231	\$ 78,189	\$ 10,600	\$ 1,358,020
Termination upon death or disability	1,200,000	825,000 ³	69,231	78,189	10,600	2,183,020
Termination upon change in control	1,200,000	3,740,000	69,231	78,189	10,600	5,098,020
Termination for cause	----	----	69,231	-----	----	69,231
Voluntary termination	----	----	69,231	-----	----	69,231

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<u>Michele Nakazawa</u>	Salary Continuation for 18 Months	Bonuses to be Earned	Accrued and Unused Vacation as of December 31, 2016	Benefits for 18 Months ¹	Cash Equivalent of Company Match to 401 (k) for 18 Months	Total
Termination without cause	\$ 562,500	\$ ----	\$ 36,058	\$ 26,941	\$ 7,950	\$ 633,449
Termination upon death or disability	562,500	318,750 ³	36,058	26,941	7,950	952,199
Termination upon change in control	562,500	1,399,375	36,058	26,941	7,950	2,032,824
Termination for cause	----	----	36,058	-----	----	36,058
Voluntary termination	----	----	36,058	-----	----	36,058

<u>Edward L. Williams</u>	Salary Continuation for 18 Months	Bonuses to be Earned	Accrued and Unused Vacation as of December 31, 2016	Benefits for 18 Months ¹	Cash Equivalent of Company Match to 401 (k) for 18 Months	Total
Termination without cause	\$ 577,500	\$ ----	\$ 37,019	\$ 42,346	\$ 7,950	\$ 664,815
Termination upon death or disability	577,500	412,500 ³	37,019	42,346	7,950	1,077,315
Termination upon change in control	577,500	1,746,250	37,019	42,346	7,950	2,411,065
Termination for cause	----	----	37,019	-----	----	37,019
Voluntary termination	----	----	37,019	-----	----	37,019

<u>Jefferson V. Wright</u>	Salary Continuation for 18 Months	Bonuses to be Earned	Accrued and Unused Vacation as of December 31, 2016	Benefits for 18 Months ¹	Cash Equivalent of Company Match to 401 (k) for 18 Months	Total
Termination without cause	\$ 525,000	\$ ----	\$ 33,654	\$ 54,114	\$ 7,950	\$ 620,718

Termination upon death or disability	525,000	318,750 ³	33,654	54,114	7,950	939,468
Termination upon change in control	525,000	1,349,375	33,654	54,114	7,950	1,970,093
Termination for cause	----	----	33,654	----	----	33,654
Voluntary termination	----	----	33,654	----	----	33,654

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<u>Brendan D. Malloy</u>	<u>Salary Continuation for 18 Months</u>	<u>Bonuses to be Earned</u>	<u>Accrued and Unused Vacation as of December 31, 2016</u>	<u>Benefits for 18 Months²</u>	<u>Cash Equivalent of Company Match to 401 (k) for 18 Months</u>	<u>Total</u>
Termination without cause	\$ 472,500	\$ ----	\$ 24,231	\$ 27,306	\$ 7,950	\$ 531,987
Termination upon death or disability	472,500	247,500 ³	24,231	27,306	7,950	779,487
Termination upon change in control	472,500	825,000	24,231	27,306	7,950	1,356,987
Termination for cause	----	----	24,231	----	----	24,231
Voluntary termination	----	----	24,231	----	----	24,231

¹Cash equivalent of premium payments for continued coverage under the medical, dental, short and long-term disability, and life insurance and other similar plans; payment of premiums for continuation of Executive Life Policy, in which the executive is the holder of the policy.

²Cash equivalent of premium payments for continued coverage under the medical, dental, short and long-term disability, and life insurance and other similar plans.

³Represents unpaid deferred payments of the MBO Bonus under the Telos Corporation Senior Officer Incentive Program. Upon the termination of a participant's employment by reason of death or disability, the participant will forfeit as of the termination of employment a portion of the Strategic Growth Bonus equal to the amount of the Strategic Growth Bonus initially granted to the participant for that performance period multiplied by a fraction, (i) the numerator of which will be the number of full calendar months from the date of the participant's cessation of employment to the end of the performance period, and the denominator of which will be the number of months representing the entire performance period (provided that the Compensation Committee is authorized to declare that a lesser percentage of the Strategic Growth Bonus will be forfeited). With respect to the portion of the Strategic Growth Bonus that is not so forfeited, the performance period will continue and the remaining percentage of the Strategic Growth Bonus that is earned or forfeited will be determined based upon the extent to which the applicable performance goals for such performance period have been achieved or exceeded. That amount is not reflected in the table above.

Non-Competition, Confidentiality, and Non-Solicitation Provisions

Pursuant to their respective employment agreements, Mr. Williams, Ms. Nakazawa, Mr. Malloy and Mr. Wright are subject to non-competition, confidentiality, and non-solicitation provisions which are applicable to each executive during their respective employment terms and for a period of 18 months subsequent to the date of any termination. Similarly, Mr. Wood is subject to non-competition, confidentiality, and non-solicitation provisions during his employment term and for a period of 24 months subsequent to the date of any termination.

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Compensation of Directors

Effective July 1, 2016, the Board of Directors adopted a structure for the annual compensation of the Board members which provides for the following annual compensation: \$30,000 basic annual retainer plus the following annual fees for committee chairpersons and members:

Audit Committee:	Chairperson:	\$20,000	Member:	\$10,000
Compensation Committee:	Chairperson:	\$15,000	Member:	\$ 7,500
Government Security Committee:	Chairperson:	\$ 8,000	Member:	\$ 4,000
Proxy Board:	Chairperson:	\$ 3,000	Member:	\$ 1,500

The Nominating & Corporate Governance Committee and the Strategy Committee generally meet on an as-needed basis rather than on a regular interval. Therefore, the compensation of those committee members will be determined on a per meeting basis. For the committees, the chairman will receive \$2,500 per meeting and the committee members will receive \$1,250 per meeting.

General Maluda, through his entity, JK Maluda LLC, and the Company entered into a consulting agreement under which General Maluda provides certain consulting services to the Company. Under the agreement, General Maluda received \$10,000 per month in compensation, for a total of \$120,000 per year through December 31, 2012. As of January 1, 2013, the compensation under the agreement was increased to \$17,000 per month, for a total of \$204,000 per year. The agreement, as originally structured, contemplated that General Maluda would be used on a part-time basis to travel and facilitate meetings for the Company. However, the Company has come to rely on General Maluda more extensively than expected and therefore was utilizing his services on a full-time basis. His extensive business relationships were deemed to be valuable to the continued growth and success of the Company. Therefore, his compensation was increased in recognition of his continuing valued services.

The following table summarizes the director compensation paid during the year ended December 31, 2016, other than Mr. John Wood whose compensation is described in this document:

DIRECTOR COMPENSATION FOR 2016

<u>Name</u>	<u>Fees Earned or Paid in Cash</u>	<u>All Other Compensation</u>	<u>Total</u>
Bernard C. Bailey	\$ 62,500	\$ 5,000 ¹	\$ 67,500
David Borland	51,500	----	51,500
Seth W. Hamot	----	----	----
Bruce R. Harris	51,750	----	51,750
Charles S. Mahan, Jr.	60,250	----	60,250
John W. Maluda	32,500	204,000 ²	236,500
Robert J. Marino	52,000	5,000 ¹	57,000
Andrew R. Siegel	----	----	----
	<u>\$ 310,500</u>	<u>\$ 214,000</u>	<u>\$ 524,500</u>

¹ Amount paid for representation on the board of Telos ID, paid in 2016.

² Amount paid pursuant to a consulting agreement with the Company for 2016.

Security Ownership of Certain Beneficial Owners and Management

<u>Title of Class</u>	<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership as of March 31, 2017</u>	<u>Percent of Class</u>
Class A Common Stock	Toxford Corporation Place de Saint Gervais 1 1211 Geneva, Switzerland	15,801,802 shares (A)	39.3%
Class A Common Stock	Telos Corporation Shared Savings Plan 19886 Ashburn Road	3,658,536 shares	9.1%

	Ashburn, VA 20147		
Class A Common Stock	John B. Wood	5,929,643 shares (B)	14.7%
Class A Common Stock	Edward L. Williams	1,873,005 shares (B)	4.7%
Class A Common Stock	Michele Nakazawa	1,473,901 shares (B)	3.7%
Class A Common Stock	Brendan D. Malloy	982,432 shares (B)	2.4%
Class A Common Stock	Jefferson V. Wright	1,010,294 shares (B)	2.5%
Class A Common Stock	Robert J. Marino	591,400 shares (B)	1.5%
Class A Common Stock	Bernard C. Bailey	100,000 shares	0.2%
Class A Common Stock	David Borland	120,000 shares	0.3%
Class A Common Stock	Seth W. Hamot	----	----
Class A Common Stock	Bruce R. Harris	100,000 shares	0.2%
Class A Common Stock	Charles S. Mahan, Jr.	100,000 shares	0.2%
Class A Common Stock	John W. Maluda	80,000 shares	0.2%
Class A Common Stock	Andrew R. Siegel	----	----
Class A Common Stock	All officers and directors as a group (17 persons)	14,646,477 shares (C)	37.7%
Class B Common Stock	ICG Enterprise Trust PLC Juxon House, 100 St. Paul's Churchyard London EC4M 8BU England	1,681,960 shares (D)	41.7%
Class B Common Stock	ICG Enterprise Trust LP Juxon House, 100 St. Paul's Churchyard London EC4M 8BU England	420,490 shares (D)	10.4%
Class B Common Stock	North Atlantic Smaller Companies Investment Trust PLC c/o North Atlantic Value LLP Ground Floor, Ryder Court, 14 Ryder Street London SW1Y 6QB England	1,186,720 shares	29.4%
Class B Common Stock	John B. Wood	194,888 shares	4.8%
Class B Common Stock	Michele Nakazawa	125,000 shares	3.1%
Class B Common Stock	Brendan D. Malloy	100,000 shares	2.5%

<u>Title of Class</u>	<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership as of March 31, 2017</u>	<u>Percent of Class</u>
Class B Common Stock	Edward L. Williams	100,000 shares	2.5%
Class B Common Stock	All officers and directors as a group (5 persons)	569,888 shares	14.1%
Series A-1 Redeemable Preferred Stock	North Atlantic Smaller Companies Investment Trust PLC c/o Harwood Capital LLP 6 Stratton Street, Mayfair London W1J 8LD, England	11 shares	5.8%
Series A-1 Redeemable Preferred Stock	ICG Enterprise Trust PLC Juxon House, 100 St. Paul's Churchyard London EC4M 8BU England	18 shares	9.2%
Series A-1 Redeemable Preferred Stock	Toxford Corporation Place de Saint Gervais 1 1211 Geneva, Switzerland	163 shares (E)	82.7%
Series A-2 Redeemable Preferred Stock	North Atlantic Smaller Companies Investment Trust PLC c/o Harwood Capital LLP 6 Stratton Street, Mayfair London W1J 8LD, England	16 shares	5.8%
Series A-2 Redeemable Preferred Stock	ICG Enterprise Trust PLC Juxon House, 100 St. Paul's Churchyard London EC4M 8BU England	25 shares	9.2%
Series A-2 Redeemable Preferred Stock	Toxford Corporation Place de Saint Gervais 1 1211 Geneva, Switzerland	228 shares (F)	82.7%
12% Cumulative Exchangeable Redeemable Preferred Stock	Wynnefield Partners Small Cap Value, L.P. Wynnefield Partners Small Cap Value, L.P. I Wynnefield Capital, Inc. Profit Sharing Plan Wynnefield Small Cap Value Offshore Fund, Ltd. Wynnefield Capital Management, LLC Wynnefield Capital, Inc. Nelson Obus Joshua Landes 450 Seventh Avenue, Suite 509 New York, NY 10123	552,465 shares (G)	17.3%
12% Cumulative Exchangeable Redeemable Preferred Stock	Minerva Advisors, LLC David P. Cohen 50 Monument Road, Suite 201 Bala Cynwyd, PA 19004	308,922 shares (H)	9.7%
12% Cumulative Exchangeable Redeemable Preferred Stock	Victor Morgenstern Faye Morgenstern Judd Morgenstern Morningstar Trust - Faye Morgenstern Trustee 106 Vine Avenue Highland Park, IL 60035	182,000 shares (I)	5.7%
12% Cumulative Exchangeable Redeemable Preferred Stock	Costa Brava Partnership III, LP Roark, Rearden & Hamot, LLC Seth W. Hamot 222 Berkeley Street, 17 th Floor Boston, MA 02116	405,172 shares (J)	12.7%

<u>Title of Class</u>	<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership as of March 31, 2017</u>	<u>Percent of Class</u>
12% Cumulative Exchangeable Redeemable Preferred Stock	Emancipation Management LLC Circle N Advisors, LLC Ms. Charles Frumberg 825 Third Avenue New York, NY 10022	635,892shares (K)	20.0%

- (A) Includes 15,328,480 shares held directly by Toxford Corporation and 473,322 shares held directly by Mr. John R.C. Porter, Chalet Ty Fano, 2 Chemin d'Amon, 1936 Verbier, Switzerland. Mr. Porter is the sole stockholder of Toxford Corporation.
- (B) Includes 224,531, 9,432, 29,348, 73,005, 10,294, and 158,901 shares of the Class A Common Stock held for the benefit of Messrs. John Wood, Malloy, Marino, Williams, and Wright and Ms. Nakazawa, respectively, by the Telos Corporation Shared Savings Plan.
- (C) Includes 681,813 shares of the Class A Common Stock held for the benefit of the executive officers by the Telos Corporation Shared Savings Plan.
- (D) Formerly Graphite Enterprise Trust PLC and Graphite Enterprise Trust LP; name and address change as of February 2016.
- (E) Includes 12 shares held directly by Mr. John R.C. Porter.
- (F) Includes 17 shares held directly by Mr. John R.C. Porter.
- (G) Wynnefield Partners Small Cap Value, L.P., ("WPSCV"), Wynnefield Partners Small Cap Value L.P. I ("WPSCVI"), Wynnefield Capital, Inc. Profit Sharing Plan ("WCPSP"), Wynnefield Small Cap Value Offshore Fund, Ltd. ("WSCVOF"), Wynnefield Capital Management, LLC ("WCM"), Wynnefield Capital, Inc. ("WCI"), Mr. Nelson Obus and Mr. Joshua H. Landes filed a joint Schedule 13D/A (Amendment No. 17) on November 17, 2015 that Messrs. Obus and Landes each have shared voting and dispositive power with respect to 552,465 shares. Messrs. Obus and Landes are the co-managing members of WCM and both are also executive officers of WCI. Each shares with the other the voting and dispositive power with regards to the shares beneficially owned by WCM and WCI. WCM is the general partner of WPSCV and WPSCVI and holds indirect beneficial interest in 425,342 shares which are directly beneficially owned by WPSCV and WPSCVI. WPSCV has the sole power to vote or direct the vote and the sole power to dispose or direct the disposition of 165,035 shares. WPSCVI has the sole voting and dispositive power with respect to 260,307 shares. WCI is the sole investment manager of WSCVOF and has the sole power to direct the voting and disposition of the 112,123 shares which WSCVOF beneficially owns and has the sole voting and dispositive power with respect to those shares. WCPSP has sole voting and dispositive power of 15,000 shares.
- (H) Minerva Advisors, LLC ("MA"), Minerva Group, LP ("MG"), Minerva GP, LP ("MGP"), Minerva GP, Inc. ("MI"), and Mr. David Cohen filed a joint Schedule 13G/A (Amendment No. 4) on February 8, 2017, indicating that MA and Mr. Cohen each has shared voting and dispositive power with respect to 149,546 shares; MA, MG, MGP, MI each has the sole voting and dispositive power with respect to 151,943 shares; Mr. Cohen has sole voting and dispositive power with respect to 159,376 shares. Mr. Cohen is the beneficial owner of 7,433 shares individually and is also deemed a beneficial owner of 301,489 shares in aggregate beneficially owned by MA.
- (I) Victor Morgenstern ("VM"), Faye Morgenstern ("FM"), Judd Morgenstern ("JM"), Jennifer Morgenstern Irrevocable Trust ("Jennifer Trust"), Robyn Morgenstern Irrevocable Trust ("Robyn Trust"), and Judd Morgenstern Irrevocable Trust ("Judd Trust"), filed a joint Schedule 13D/A (Amendment No. 1) on March 10, 2009, indicating that VM has the sole power to vote and dispose of 50,000 shares, and shared power to dispose of 132,000 shares; FM has the sole power to vote 17,000 shares and shared power to dispose 92,000 shares; JM has the sole power to vote 40,000 shares and shared power to dispose 115,000 shares; Jennifer Trust has the sole voting and dispositive power with respect to 25,000 shares; Robyn Trust has the sole voting and dispositive power with respect to 25,000 shares; Judd Trust has the sole voting and dispositive power with respect to 25,000 shares.
- (J) According to the Schedule 13D/A (Amendment No. 28) filed on September 19, 2012, by Costa Brava Partnership III L.P. ("Costa Brava"), Roark, Rearden & Hamot, LLC ("Roark"), and Seth W. Hamot, the three filers have sole voting and dispositive power with respect to the 405,172 shares. Mr. Hamot is the President of Roark, which is the general partner of Costa Brava.
- (K) According to Schedule 13G/A (Amendment No. 1) filed on February 10, 2017 by Emancipation Management LLC ("Emancipation Management"), Circle N Advisors, LLC ("Circle N"), and Mr. Charles Frumberg, the three filers have shared dispositive power with respect to the 635,892 shares. Emancipation Management owns Circle N, and Mr. Frumberg is the managing member of Emancipation Management and the Chief Executive Officer of Circle N. The principal business address of Circle N is 200 Westgate Business Center Drive, Fishkill, NY 12524.

Ratification of Independent Registered Public Accounting Firm

The Audit Committee selected BDO USA, LLP ("BDO") to serve as the Company's independent registered public accounting firm for the 2017 fiscal year. BDO is expected to attend the Annual Meeting and will be given an opportunity to make a statement and will be available to respond to appropriate questions.

Principal Accountant Fees and Services

Aggregate fees for professional services billed to us by BDO USA, LLP for the years ended December 31, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
BDO USA, LLP:		
Audit fees	\$ 508,000	\$ 510,000
Audit-related fees	----	----
Tax fees ¹	\$ 60,000	\$ 124,000
All other fees	----	----
	<u> </u>	<u> </u>
Total	<u>\$ 568,000</u>	<u>\$ 633,884</u>

¹Represent fees related to the review of federal and state income tax returns and other tax-related services

Pre-Approval Policies and Procedures

The Audit Committee pre-approves all services, including audit and non-audit services, provided by the Company's independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. The independent registered public accounting firm typically provides an engagement letter to the Audit Committee outlining the scope of the services and related fees. Approval by the Audit Committee may be made at its regularly scheduled meetings or otherwise, including by telephonic or other electronic communications.

The Board of Directors of Telos recommends that the selection of BDO USA, LLP as the Company's independent registered public accounting firm for the 2017 fiscal year be ratified by the holders of the Common Stock.

Equity Compensation Plan Information

The following table provides information as of December 31, 2016, with respect to shares of Common Stock that may be issued under certain equity compensation plans.

Plan Category	<u>Number of securities remaining available for future issuance under plans</u>
Equity compensation plans approved by security holders:	
1. 2008 Plan	264,741
2. 2013 Plan	1,188,000
Equity compensation Plans not approved by security holders	
1. 2016 Plan	4,500,000

Advisory Vote on Executive Compensation

In accordance with the results of the vote from the 2011 Annual Meeting of Stockholders, the Company is providing the holders of the Common Stock a vote to approve, on an advisory (non-binding) basis, the compensation of the Company's named executive officers as disclosed in the Compensation Discussion and Analysis, the Compensation Table, and related narrative disclosure, beginning on page 16 as required under the rules and regulations of the SEC.

The Board of Directors is asking the holders of the Company's Common Stock to indicate their support for the compensation of the Company's named executive officers as described. This proposal, commonly known as a say-on-pay proposal, gives the holders of the Common Stock the opportunity to express their views on the compensation of the

Company's named executive officers. This vote is not intended to address any specific term of compensation but rather the overall compensation of the Company's named executive officers and the related philosophy, policies and practices as described. Accordingly, the Board of Directors is asking the holders of the Common Stock to vote "FOR" the following resolution at the Annual Meeting:

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"RESOLVED, that the holders of the Company's Class A and Class B Common Stock approve, on an advisory basis, the compensation of the named executive officers as disclosed in the company's Annual Proxy Statement, pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the Summary Compensation Table, and the other related tables and disclosures."

The say-on-pay vote is advisory, and therefore not binding on the Company, the Board of Directors, or the Compensation Committee. Our Board of Directors and our Compensation Committee value the opinions of the Company's stockholders, will consider the results of the vote on this advisory resolution, and will evaluate whether any actions are warranted to address those results.

The Board of Directors of Telos recommends the approval of the resolution set forth above approving the compensation of the Company's named executive officers.

Frequency of the Vote on Executive Compensation

The Board of Directors is also seeking the preference of the holders of the Common Stock, on an advisory (non-binding) basis, with respect to the frequency of future votes on the compensation of the Company's named executive officers. This advisory "frequency" vote is required at least once every six years beginning with our 2011 Annual Meeting.

This proposal affords the holders of the Common Stock the opportunity to cast an advisory vote on how often the Company should include a say-on-pay vote in its proxy materials for future annual meetings of stockholders (or special meetings of stockholders for which the Company must include executive compensation information in the proxy statement for that meeting). Under this proposal, the holders of the Common Stock may vote to have the say-on-pay vote every year, every two years or every three years, or may choose to abstain from voting. The holders of the Common Stock are not voting to approve or disapprove the Board's recommendation.

The Board of Directors believes that the say-on-pay vote should be conducted every three years to provide the Compensation Committee the time to respond thoughtfully to the sentiments of the holders of the Common Stock and implement any necessary changes. The Compensation Committee carefully reviews changes to the Company's executive compensation program to maintain the consistency and credibility of the program, which is important in motivating and retaining the highly talented and results-oriented executives who are critical to the Company's long-term success and growth. The Board of Directors believes that a triennial vote is an appropriate frequency to allow the Compensation Committee sufficient time to thoughtfully consider the input of the holders of the Common Stock, implement any appropriate changes to the Company's executive compensation program, and assess the results of these changes.

The option of one year, two years or three years that receives the highest number of votes cast by the holders of the Common Stock will be the frequency for the stockholder advisory vote on the compensation of the Company's named executive officers that will be considered to be preferred by the holders of the Common Stock. However, because this vote is not binding on the Board of Directors, the Board of Directors may decide, either now or in the future, that it is in the best interests of the Company and its stockholders to hold a stockholder advisory vote on the compensation of the Company's named executive officers more or less frequently than the preference indicated by this vote, including, for example, due to changes in executive compensation policies, practices and plans or discussions with stockholders.

The Board of Directors of Telos recommends a vote FOR the option "Every Three Years" for the frequency of future advisory votes on executive compensation.

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Stockholder Proposals for the 2018 Annual Meeting

Stockholders who wish to have proposals for the Company's 2018 annual meeting of stockholders included in the proxy materials for such meeting must submit these proposals to the Company on or prior to December 18, 2017. All other proposals must be submitted in accordance with the process set forth in the Company's Bylaws, which provide that, in order for business to be properly brought before an annual meeting by a stockholder, the stockholder must deliver written notice to the Company's secretary at the Company's principal executive offices not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made.

Other Matters

Neither the Board of Directors nor management intends to bring any matter for action at the Annual Meeting other than those matters described above. If any other matter or any proposal should be presented and should properly come before the meeting for action, the persons named in the accompanying proxy will vote upon such matter and upon such proposal in accordance with their best judgment.

CONFLICT OF INTEREST QUESTIONNAIRE

For vendor doing business with local governmental entity

FORM CIQ

This questionnaire reflects changes made to the law by H.B. 23, 84th Leg., Regular Session.

This questionnaire is being filed in accordance with Chapter 176, Local Government Code, by a vendor who has a business relationship as defined by Section 176.001(1-a) with a local governmental entity and the vendor meets requirements under Section 176.006(a).

By law this questionnaire must be filed with the records administrator of the local governmental entity not later than the 7th business day after the date the vendor becomes aware of facts that require the statement to be filed. See Section 176.006(a-1), Local Government Code.

A vendor commits an offense if the vendor knowingly violates Section 176.006, Local Government Code. An offense under this section is a misdemeanor.

OFFICE USE ONLY
Date Received

1 Name of vendor who has a business relationship with local governmental entity.
Telos Identity Management Solutions

2 Check this box if you are filing an update to a previously filed questionnaire. (The law requires that you file an updated completed questionnaire with the appropriate filing authority not later than the 7th business day after the date on which you became aware that the originally filed questionnaire was incomplete or inaccurate.)

3 Name of local government officer about whom the information is being disclosed. *NA*

Name of Officer

4 Describe each employment or other business relationship with the local government officer, or a family member of the officer, as described by Section 176.003(a)(2)(A). Also describe any family relationship with the local government officer. Complete subparts A and B for each employment or business relationship described. Attach additional pages to this Form CIQ as necessary.

A. Is the local government officer or a family member of the officer receiving or likely to receive taxable income, other than investment income, from the vendor?

Yes No

B. Is the vendor receiving or likely to receive taxable income, other than investment income, from or at the direction of the local government officer or a family member of the officer AND the taxable income is not received from the local governmental entity?

Yes No

N/A

5 Describe each employment or business relationship that the vendor named in Section 1 maintains with a corporation or other business entity with respect to which the local government officer serves as an officer or director, or holds an ownership interest of one percent or more.

6 Check this box if the vendor has given the local government officer or a family member of the officer one or more gifts as described in Section 176.003(a)(2)(B), excluding gifts described in Section 176.003(a-1).

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Sharon King
 Signature of vendor doing business with local governmental entity

8/1/18
 Date

CONFLICT OF INTEREST QUESTIONNAIRE

For vendor doing business with local governmental entity

A complete copy of Chapter 176 of the Local Government Code may be found at <http://www.statutes.legis.state.tx.us/Docs/LG/htm/LG.176.htm>. For easy reference, below are some of the sections cited on this form.

Local Government Code § 176.001(1-a): "Business relationship" means a connection between two or more parties based on commercial activity of one of the parties. The term does not include a connection based on:

- (A) a transaction that is subject to rate or fee regulation by a federal, state, or local governmental entity or an agency of a federal, state, or local governmental entity;
- (B) a transaction conducted at a price and subject to terms available to the public; or
- (C) a purchase or lease of goods or services from a person that is chartered by a state or federal agency and that is subject to regular examination by, and reporting to, that agency.

Local Government Code § 176.003(a)(2)(A) and (B):

(a) A local government officer shall file a conflicts disclosure statement with respect to a vendor if:

(2) the vendor:

(A) has an employment or other business relationship with the local government officer or a family member of the officer that results in the officer or family member receiving taxable income, other than investment income, that exceeds \$2,500 during the 12-month period preceding the date that the officer becomes aware that

(i) a contract between the local governmental entity and vendor has been executed;

or

(ii) the local governmental entity is considering entering into a contract with the vendor;

(B) has given to the local government officer or a family member of the officer one or more gifts that have an aggregate value of more than \$100 in the 12-month period preceding the date the officer becomes aware that:

(i) a contract between the local governmental entity and vendor has been executed; or

(ii) the local governmental entity is considering entering into a contract with the vendor.

Local Government Code § 176.006(a) and (a-1)

(a) A vendor shall file a completed conflict of interest questionnaire if the vendor has a business relationship with a local governmental entity and:

(1) has an employment or other business relationship with a local government officer of that local governmental entity, or a family member of the officer, described by Section 176.003(a)(2)(A);

(2) has given a local government officer of that local governmental entity, or a family member of the officer, one or more gifts with the aggregate value specified by Section 176.003(a)(2)(B), excluding any gift described by Section 176.003(a-1); or

(3) has a family relationship with a local government officer of that local governmental entity.

(a-1) The completed conflict of interest questionnaire must be filed with the appropriate records administrator not later than the seventh business day after the later of:

(1) the date that the vendor:

(A) begins discussions or negotiations to enter into a contract with the local governmental entity; or

(B) submits to the local governmental entity an application, response to a request for proposals or bids, correspondence, or another writing related to a potential contract with the local governmental entity; or

(2) the date the vendor becomes aware:

(A) of an employment or other business relationship with a local government officer, or a family member of the officer, described by Subsection (a);

(B) that the vendor has given one or more gifts described by Subsection (a); or

(C) of a family relationship with a local government officer.