

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date
November 6, 2019
(Date of earliest event reported)

TELKONET, INC.

(Exact Name of Registrant as Specified in Its Charter)

Utah

(State or Other Jurisdiction of Incorporation)

000-31972
(Commission File No.)

87-0627421
(I.R.S. Employer Identification No.)

20800 Swenson Drive, Suite 175, Waukesha, WI 53186
(Address of Principal Executive Offices)

414.302.2299
(Registrant's Telephone Number)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	None	None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, \$0.001 par value

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

Emerging growth company

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

Item 1.01. Entry into Material Definitive Agreement.

As of November 6, 2019, Telkonet, Inc. (the “Company” and “Borrower”) entered into an Eleventh Amendment to the Loan and Security Agreement (the “Amendment”) with Heritage Bank of Commerce, a California state chartered bank (the “Bank”). The Company and the Bank are parties to a certain Loan and Security Agreement (the “Loan Agreement”) dated as of September 30, 2014 referenced in a Current Report on Form 8-K filed with the Securities and Exchange Commission on October 2, 2014.

The Amendment extends the revolving maturity date to September 30, 2021, unless earlier accelerated under the terms of the Loan Agreement, and eliminates the maximum EBITDA loss covenant. The remaining financial covenants are a minimum asset coverage ratio and a minimum unrestricted cash balance of \$2 million, both of which are measured at the end of each month. All other terms of the Loan Agreement remain in full force and effect.

The foregoing description of the Amendment is not complete and is in all respects subject to the actual provisions of the Amendment, a copy of which has been filed as Exhibit 10.1 to this Current Report on Form 8-K and which is incorporated by reference herein.

Item 9.01 Financial Statements and Exhibit.

Exhibit No. Description

10.1 [Eleventh Amendment to Loan and Security Agreement entered into as of November 6, 2019, by and among Telkonet, Inc. and Heritage Bank of Commerce.](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: November 7, 2019

TELKONET, INC.

By: /s/ Jason Tienor

Jason Tienor
Chief Executive Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.1	<u>Eleventh Amendment to Loan and Security Agreement entered into as of November 6, 2019, by and among Telkonet, Inc. and Heritage Bank of Commerce.</u>

ELEVENTH AMENDMENT
TO
LOAN AND SECURITY AGREEMENT

This Eleventh Amendment to Loan and Security Agreement is entered into as of November 6, 2019 (the "Amendment"), by and among TELKONET, INC. ("Borrower") and HERITAGE BANK OF COMMERCE ("Bank"), and is effective as of September 30, 2019.

RECITALS

Borrower and Bank are parties to that certain Loan and Security Agreement dated as of September 30, 2014 and as amended from time to time, including pursuant to that certain First Amendment to Loan and Security Agreement dated as of February 17, 2016, that certain Second Amendment to Loan and Security Agreement dated as of October 27, 2016, that certain Third Amendment to Loan and Security Agreement dated as of January 25, 2017, that certain Fourth Amendment to Loan and Security Agreement dated as of March 29, 2017, that certain Fifth Amendment to Loan and Security Agreement dated as of August 29, 2017, that certain Sixth Amendment to Loan and Security Agreement dated as of October 23, 2017, that certain Seventh Amendment to Loan and Security Agreement dated as of February 2, 2018, that certain Eighth Amendment to Loan and Security Agreement dated as of April 5, 2018, that certain Ninth Amendment to Loan and Security Agreement dated as of November 7, 2018 and that certain Tenth Amendment to Loan and Security Agreement dated as of January 29, 2019 (collectively, the "Agreement").

AGREEMENT

NOW, THEREFORE, the parties agree as follows:

1. The following definition set forth in Section 1.1 of the Agreement is amended and restated in its entirety to read as follows:

"Revolving Maturity Date" means September 30, 2021, subject to Bank's annual review of Borrower to occur on or around September 30, 2020, which results shall be satisfactory to Bank.
2. Section 6.9 of the Agreement is amended and restated in its entirety to read as follows:

6.9 Financial Covenants.

(a) Asset Coverage Ratio. Borrowers shall maintain a minimum ratio of unrestricted cash maintained at Bank plus all Eligible Accounts to all Obligations owing to Bank of at least 1.50 to 1.00, measured on a monthly basis.

(b) Minimum Cash at Bank. Borrowers shall maintain at least \$2,000,000 in unrestricted cash in its accounts maintained at Bank at all times, and also measured monthly.
4. Exhibit D to the Agreement is replaced in its entirety with the Exhibit D attached hereto.

5. Borrower represents and warrants that the representations and warranties contained in the Agreement are true and correct as of the date of this Amendment, and that no Event of Default has occurred and is continuing.

6. Unless otherwise defined, all initially capitalized terms in this Amendment shall be as defined in the Agreement. The Agreement, as amended hereby, shall be and remain in full force and effect in accordance with its respective terms and hereby is ratified and confirmed in all respects. Except as expressly set forth herein, the execution, delivery, and performance of this Amendment shall not operate as a waiver of, or as an amendment of, any right, power, or remedy of Bank under the Agreement, as in effect prior to the date hereof. Borrower ratifies and reaffirms the continuing effectiveness of all agreements entered into in connection with the Agreement.

7. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a “.pdf” format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or “.pdf” signature page were an original hereof.

8. As a condition to the effectiveness of this Amendment, Bank shall have received, in form and substance satisfactory to Bank, the following:

- (a) the original signed Amendment, duly executed by Borrower;
- (b) corporate resolutions and incumbency certificate, duly executed by Borrower;
- (c) payment of the renewal facility fee of \$10,000 that is due on September 30, 2019 pursuant to Section 2.5(b) of the Agreement, plus all Bank Expenses incurred through the date of this Amendment; and
- (d) such other documents, and completion of such other matters, as Bank may reasonably deem necessary or appropriate.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the first date above written.

TELKONET, INC.

By: /s/ Richard E. Mushrush

Name: Richard E. Mushrush

Title: CFO

HERITAGE BANK OF COMMERCE

By: /s/ Karla Schrader

Name: Karla Schrader

Title: VP

**EXHIBIT D
COMPLIANCE CERTIFICATE**

TO: HERITAGE BANK OF COMMERCE
FROM: TELKONET, INC.

The undersigned authorized officer of Telkonet, Inc., on behalf of all Borrowers, hereby certifies that in accordance with the terms and conditions of the Loan and Security Agreement between Borrower and Bank (the "Agreement"), (i) Borrower is in complete compliance for the period ending with all required covenants except as noted below and (ii) all representations and warranties of Borrower stated in the Agreement are true and correct as of the date hereof. Attached herewith are the required documents supporting the above certification. The Officer further certifies that these are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and are consistently applied from one period to the next except as explained in an accompanying letter or footnotes.

Please indicate compliance status by circling Yes/No under "Complies" column.

<u>Reporting Covenant</u>	<u>Required</u>	<u>Complies</u>	
Borrower prepared financial statements	Quarterly within 45 days	Yes	No
Compliance Certificate	Quarterly within 45 days	Yes	No
Wells Fargo bank statements	Monthly within 15 days	Yes	No
A/R & A/P Agings	Within 5 days of 15th and last day of each month	Yes	No
Customer deposit listing	Within 5 days of 15th and last day of each month	Yes	No
Borrowing base certificate	Within 5 days of 15th and last day of each month	Yes	No
Inventory report	Monthly within 15 days	Yes	No
Offsite Inventory listing	Monthly within 15 days	Yes	No
Deferred revenue schedule	Quarterly within 15 days	Yes	No
Annual financial statements (CPA Audited)	FYE within 120 days	Yes	No
Annual financial projections and budget	Annual within 30 days before FYE	Yes	No
Federal Tax Returns	Annual, within 15 days of filing	Yes	No
10K and 10Q	(as applicable)	Yes	No
A/R Audit	Initial and semi-annual	Yes	No
IP Notices	As required under Section 6.10	Yes	No

<u>Financial Covenant</u>	<u>Required</u>	<u>Actual</u>	<u>Complies</u>	
Minimum Asset Coverage Ratio (Monthly)	1.50 : 1.00	_____ : 1.00	Yes	No
Minimum Unrestricted Cash at Bank at all times	≥ \$2,000,000	\$ _____	Yes	No

Comments Regarding Exceptions: See Attached.

Sincerely,

SIGNATURE

TITLE

DATE

BANK USE ONLY	
Received by: _____	AUTHORIZED SIGNER
Date: _____	
Verified: _____	AUTHORIZED SIGNER
Date: _____	
Compliance Status	Yes No