

VICTORY ENERGY CORP

Form 8-K

December 07, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): December 7, 2016

Victory Energy Corporation

(Exact name of registrant as specified in its charter)

Nevada

2-76219-NY

87-0564462

(State or other jurisdiction of incorporation) (Commission File Number) (I.R.S. Employer Identification No.)

3355 Bee Caves Road, Suite 608

78746

Austin, Texas

(Address of principal executive offices) (Zip Code)

(512) 347-7300

(Registrant's telephone number, including area code)

N/A

(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))

Item 1.01 Entry Into A Material Definitive Agreement.

On December 5, 2016, Aurora Energy Partners ("Aurora"), a partnership of which Victory Energy Corporation (the "Company") is the managing partner and owner of 50% of the outstanding partnership interests, entered into a Forbearance Agreement (the "Forbearance Agreement") to the Credit Agreement, dated as of February 20, 2014 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "Credit Agreement"), by and between Aurora and Texas Capital Bank, National Association (the "Lender"). Loans made to Aurora under the Credit Agreement are fully guaranteed by the Company and Navitus Energy Group ("Navitus" and collectively with the Company, the "Guarantors"). Capitalized terms used but not otherwise defined herein shall have the meaning given to them in the Credit Agreement.

Pursuant to the Forbearance Agreement, the Lender has agreed to forbear from exercising any of its rights and remedies under the Credit Agreement until February 20, 2017 (the "Forbearance Period") with respect to the following existing events of default under the Credit Agreement (collectively, the "Existing Events of Default"): (i) the failure by Aurora to pay accrued interest required under Section 2.7(a) of the Credit Agreement on June 1, 2015, July 1, 2015, and August 1, 2015, (ii) the failure by Aurora to make the payments required under Section 2.9(e) of the Credit Agreement on or before June 1, 2015, July 1, 2015, August 1, 2015, September 1, 2015, October 1, 2015, November 1, 2015, December 1, 2015, January 1, 2016, February 1, 2016, March 1, 2016, April 1, 2016, May 1, 2016, June 1, 2016, July 1, 2016, August 1, 2016, September 1, 2016, October 1, 2016, November 1, 2016 and December 1, 2016, (iii) the failure by Aurora to pay the \$360,000 deficiency amount to the Lender in full as set forth in that certain deficiency notice letter from the Lender to Aurora dated as of April 13, 2015, (iv) the failure by Aurora to deliver the annual financial statements of the Company and its subsidiaries and related compliance certificate for the fiscal year ended December 31, 2015, as required under Sections 7.1(a) and (c) of the Credit Agreement, (v) the failure by Aurora to deliver the quarterly financial statements of the Company and its subsidiaries and related compliance certificate for the fiscal quarters ended March 31, 2015, June 30, 2015, and December 31, 2015, as required under Sections 7.1(b) and (c) of the Credit Agreement, (vi) the failure by Aurora to deliver the quarterly financial statements of Navitus and its subsidiaries for the fiscal quarter ended March 31, 2015, as required under Sections 7.1(t) of the Credit Agreement, (vii) the failure by Aurora to maintain a ratio of EBITDAX to Cash Interest Expense of at least 3.50 to 1.00 for the Test Periods ended March 31, 2015, June 30, 2015, September 30, 2015, December 31, 2015, March 31, 2016, June 30, 2016 and September 30, 2016, as required under Section 9.1 of the Credit Agreement and (viii) the failure by Aurora to maintain a Current Ratio of at least 1.00 to 1.00 for the fiscal quarters ended June 30, 2015, September 30, 2015, December 31, 2015, March 31, 2016, June 30, 2016 and September 30, 2016, as required under Section 9.2 of the Credit Agreement.

The Forbearance Period will end on the first to occur of the following: (i) the expiration of the Forbearance Period on February 20, 2017, (ii) a breach by Aurora or any Guarantor of any of the conditions, covenants, representations and/or warranties set forth in the Forbearance Agreement, (iii) the occurrence of any new event of default under the Credit Agreement, (iv) the occurrence or threat of the occurrence of any enforcement action against Aurora or any Guarantor by any of their creditors which, in Lender's reasonable judgment, would materially interfere with the operation of Aurora's or the Guarantor's business or the Lender's ability to collect on the obligations due under the Credit Agreement, (v) the institution of any bankruptcy proceeding relating to Aurora or any Guarantor, or (vi) the initiation by Aurora or any Guarantor of any judicial, administrative or arbitration proceedings against the Lender.

The Lender's agreement to forbear from exercising its rights and remedies as a result of the Existing Events of Default is subject to and conditioned upon the following: (i) the payment by Aurora to the Lender of at least \$20,000 on or before the last business day of each calendar week occurring hereafter and (ii) the delivery by Aurora of such other documents, instruments and certificates as reasonably requested by Lender.

The foregoing description of the Forbearance Agreement is a summary only and is qualified in its entirety by reference to the complete text of the Forbearance Agreement, a copy of which is attached as Exhibit 10.1 to this Current Report on Form 8-K and incorporated herein by reference.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information set forth under Item 1.01 concerning the Forbearance Agreement is hereby incorporated into this Item 2.03 by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

| Exhibit No. | Description |
|-------------|---|
| 10.1 | Forbearance Agreement, dated December 2, 2016, to the Credit Agreement, dated as of February 20, 2014, by and between Aurora Energy Partners and Texas Capital Bank, National Association |

SIGNATURE

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.

Victory Energy Corporation

Dated: December 7, 2016 By: /s/ Kenneth Hill
Kenneth Hill
Chief Executive Officer