UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended: March 31, 1998

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number: 1-8443

TELOS CORPORATION
(Exact name of registrant as specified in its charter)

Maryland	52-0880974
(State of Incorporation)	(I.R.S. Employer Identification No.)

19886 Ashburn Road, Ashburn, Virginia	20147-2358
(Address of principal executive offices)	(Zip Code)

Registrant's Telephone Number,
including area code: (703) 724-3800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES __X_ NO

As of May 15, 1998 the registrant had 21,238,980 shares of Class A Common Stock, no par value, 4,037,628 shares of Class B Common Stock, no par value; and 3,595,586 shares of 12% Cumulative Exchangeable Redeemable Preferred Stock, par value $.01 per share, outstanding.

No public market exists for the registrant's Common Stock.

Number of pages in this report (excluding exhibits): 16

TELOS CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

PART I - FINANCIAL INFORMATION

TELOS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(amounts in thousands)

	Three Months Ended March 31, 1998	Three Months Ended March 31, 1997
Sales		
Systems and Support Services	$26,300	$25,836
Systems Integration	16,193	28,227
Enterworks	1,301	282
	43,794	54,345
Costs and expenses		
Cost of sales	40,481	46,648
Selling, general and administrative expenses	6,242	6,525
Goodwill amortization	193	225
Operating (loss) income	(3,122)	947
Other income (expenses)		
Gain on sale of assets	5,683	--
Other income	20	12
Interest expense	(1,779)	(1,760)
Income (loss) before taxes	802	(801)
Income tax provision	(125)	--
Net income (loss)	$ 677	$ (801)

The accompanying notes are an integral part of these condensed consolidated financial statements.

TELOS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS
(amounts in thousands)

	March 31, 1998 (Unaudited)	December 31, 1997
Current assets		
Cash and cash equivalents	$ 412	$ 587
Accounts receivable, net	35,427	57,972
Inventories, net	9,899	12,390
Deferred income taxes	4,806	4,632
Other current assets	688	676
Total current assets	51,232	76,257
Property and equipment, net of accumulated depreciation of $22,715 and $22,609, respectively	15,502	15,730
Goodwill	7,316	12,466
Other assets	6,002	5,265
	80,052	109,718

LIABILITIES AND STOCKHOLDERS' INVESTMENT

	March 31, 1998 (Unaudited)	December 31, 1997
Current liabilities		
Accounts payable	10,617	16,912
Other current liabilities	10,949	6,966
Accrued compensation and benefits	7,608	8,553
Total current liabilities	29,174	32,431
Senior credit facility	12,914	39,945
Senior subordinated notes	16,970	16,930
Capital lease obligations	11,990	12,085
Total liabilities	71,048	101,391
Redeemable preferred stocks		
Senior redeemable preferred stock	5,312	5,207
Class B redeemable preferred stock	12,296	12,035
Redeemable preferred stock	30,336	29,951
Total preferred stock	47,944	47,193
Stockholders' investment		
Common stock	78	78
Capital in excess of par	--	--
Retained deficit	(39,018)	(38,944)
Total stockholders' investment	$80,052	$109,718

The accompanying notes are an integral part of these condensed consolidated financial statements.

TELOS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(amounts in thousands)

	Three Months Ended March 31, 1998	Three Months Ended March 31, 1997
Operating activities:		
Net income (loss)	$ 677	$ (801)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Gain on sale of assets	(5,683)	--
Depreciation and amortization	897	989
Goodwill amortization	193	225
Other non-cash items	128	220
Changes in assets and liabilities that provided (used) cash	17,135	(16,459)
Cash provided by (used in) operating activities	13,347	(15,826)
Investing activities:		
Proceeds from sale of assets	14,675	--
Purchase of property and equipment	(544)	(553)
Investment in other assets	(527)	(563)
Cash provided by (used in) investing activities	13,604	(1,116)
Financing activities:		
(Repayment of) Proceeds from senior credit facility	(27,031)	15,900
Repayment of long-term debt	--	(675)
Payments under capital leases	(95)	(85)
Cash (used in) provided by financing activities	(27,126)	15,140
Decrease in cash and cash equivalents	(175)	(1,802)
Cash and cash equivalents at beginning of period	587	2,781
Cash and cash equivalents at end of period	$ 412	$ 979

The accompanying notes are an integral part of these condensed consolidated financial statements.

TELOS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. General

The accompanying condensed consolidated financial statements of Telos Corporation ("Telos") and its wholly owned subsidiaries, Telos Corporation (California), Telos Field Engineering, Inc., Telos International Corporation, and its majority owned subsidiary, Enterworks, Inc. (collectively, the "Company") have been prepared without audit. Certain information and note disclosures normally included in the financial statements presented in accordance with generally accepted accounting principles have been condensed or omitted. The Company believes the disclosures made are adequate to make the information presented consistent with past practices. However, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the fiscal year ended December 31, 1997.

In the opinion of the Company, the accompanying condensed consolidated financial statements reflect all adjustments and reclassifications (which include only normal recurring adjustments) necessary to present fairly the financial position of the Company as of March 31, 1998 and December 31, 1997, and the results of its operations and its cash flows for the three month periods ended March 31, 1998 and 1997. Interim results are not necessarily indicative of fiscal year performance because of the impact of seasonal and short-term variations.

During the first quarter of 1998, the Company modified its view of the business segments that it operates given the increased activities of its majority-owned subsidiary, Enterworks, Inc. The Company now analyzes its business in three distinct market segments: systems and support services which consists of the Company's hardware services, software systems and solutions services; systems integration and Enterworks, Inc.

Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income" became effective for the Company on January 1, 1998. Because the Company has no items of other comprehensive income, FAS 130 did not affect the Company's financial statements presentation or disclosure.

Certain reclassifications have been made to the prior year's financial statements to conform to the classifications used in the current period.

Note 2. Sale of Assets

On February 28, 1998, Telos sold substantially all of the net assets of one of its divisions, Telos Information Systems ("TIS"), to NYMA, Inc., a subsidiary of Federal Data Corporation of Bethesda, Maryland for approximately $14.7 million in cash. The Company has recorded a gain of $5.7 million in its condensed consolidated statement of income for the three months ended March 31, 1998.

Note 3. Preferred Stock

Senior Redeemable Preferred Stock
- ---------------------------------

The components of the senior redeemable preferred stock are Series A-1 and Series A-2 redeemable preferred stock each with $.01 par value and 1,250 and 1,750 shares authorized, issued and outstanding, respectively. The Series A-1 and Series A-2 each carry a cumulative per annum dividend rate of 14.125% of their liquidation value of $1,000 per share. The dividends are payable semi-annually on June 30 and December 31 of each year. The liquidation preference of the preferred stock is the face amount of the Series A-1 and A-2 ($1,000 per share), plus all accrued and unpaid dividends. The Series A-1 and A-2 Preferred Stock is senior to all other present and future equity of the Company. The Company is required to redeem all of the outstanding shares of the Series A-1 and A-2 on December 31, 2001, subject to the legal availability of funds. At March 31, 1998 and December 31, 1997 cumulative undeclared, unpaid dividends relating to Series A-1 and A-2 Preferred Stock were accrued for financial reporting purposes in the amount of $2,312,000 and $2,207,000 respectively.

Class B Redeemable Preferred Stock

The Class B Redeemable Preferred Stock has a $.01 par value, with 7,500 shares authorized, issued and outstanding. The Class B Redeemable Preferred Stock has a cumulative dividend payable semi-annually at June 30 and December 31. The dividend is calculated at a rate equal to 14.125% per annum of its liquidation value. The Class B Redeemable Preferred Stock may be redeemed at its liquidation value together with all accrued and unpaid dividends at any time at the option of the Company. The liquidation preference of the Class B Redeemable Preferred Stock is the face amount, $1,000 per share, plus all accrued and unpaid dividends. The Company is required to redeem all of the outstanding shares of the stock on December 31, 2001, subject to the legal availability of funds. At March 31, 1998 and December 31, 1997, cumulative undeclared and unpaid dividends relating to the Class B redeemable preferred stock were accrued for financial reporting purposes in the amount of $4,796,000 and $4,535,000, respectively. The Class B Redeemable Preferred Stock was retired in May 1998. See Note 4. - Subsequent Event.

12% Cumulative Exchangeable Redeemable Preferred Stock

A maximum of 6,000,000 shares of 12% Cumulative Exchangeable Redeemable Preferred Stock (the "Public Preferred Stock"), par value $.01 per share, have been authorized for issuance. The Company has issued 3,595,586 shares of the Public Preferred Stock. The Public Preferred Stock accrues a semi-annual dividend at the annual rate of 12% ($1.20) per share, based on the liquidation preference of $10 per share and is fully cumulative.

The Public Preferred Stock has a 20 year maturity, however, the Company must redeem, out of funds legally available, 20% of the Public Preferred Stock on the 16th 17th, 18th and 19th anniversaries of November 12, 1989, leaving 20% to be redeemed at maturity. On any dividend payment date after November 21, 1991, the Company may exchange the Public Preferred Stock, in whole or in part, for 12% Junior Subordinated Debentures that are redeemable upon terms substantially similar to the Public Preferred Stock and subordinated to all indebtedness for borrowed money and like obligations of the Company.

Through November 21, 1995, the Company had the option to pay dividends in additional shares of Preferred Stock in lieu of cash. Dividends are payable by the Company, provided the Company has legally available funds under Maryland law and is able to pay dividends under its charter and other corporate documents, when and if declared by the Board of Directors, commencing June 1, 1990, and on each six month anniversary thereof. Dividends in additional shares of the Preferred Stock were paid at the rate of $.06 of a share for each $.60 of such dividends not paid in cash. No dividends have been declared or paid during fiscal years 1992 through 1997. Cumulative undeclared dividends as of March 31, 1998 accrued for financial reporting purposes totaled $14,735,000. Dividends for the years 1992 through 1994 and for the dividend payable June 1, 1995 were accrued under the assumption that the dividend will be paid in additional shares of preferred stock and are valued at $3,950,000. Had the Company accrued these dividends on a cash basis, the total amount accrued would have been $15,101,000.

The Company has not declared or paid dividends since 1991, due to restrictions and ambiguities relating to the payment of dividends contained within its charter, its working capital facility agreement, and under Maryland law.

Note 4. Subsequent Event

On May 8, 1998 the Company entered into an agreement with one of its shareholders, Union de Banques Suisses (Luxembourg) S.A. ("UBS"), to retire all of UBS's equity holdings in the Company. These equity holdings included all of the 7,500 shares of the Company's Class B Preferred Stock and the cumulative unpaid dividends of approximately $4.8 million, 1,837,773 shares of the Company's Class A Common Stock, and 1,312,695 of the Company's Class A Common Stock warrants. The purchase price to retire these interests was $5.5 million.

In addition, the Company agreed to pay UBS $1.0 million for the termination of a letter agreement between UBS and the Company, as well as a negotiation fee for certain expenses UBS incurred in connection with past services performed on behalf of the Company.

The total price of $6.5 million was funded by borrowings under the Company's term facility as well as two separate letters of credit secured by the Company's lender. These will mature in 120 and 180 days from the date of the transaction.

The $5.9 million excess of the carrying amount of the Class B Redeemable Preferred Stock over the redemption price will be recorded as an increase in stockholders' investment; there is no impact on income from this transaction.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

In the first three months of 1998, the Company had decreased revenue and profitability as compared to 1997. The decreased revenue and profitability resulted primarily from the expiration of the Systems Integration Group's Immigration and Naturalization Services Contract in September 1997. Overall, Systems Integration revenues decreased by $12 million in 1998 compared to 1997. As a result, absorption of facility and infrastructure costs was disproportionate with associated revenues. A change in product mix also contributed to a decrease in profitability from 1997 to 1998. Accordingly, product margins were significantly impacted in the first quarter of 1998.

Total backlog from existing contracts was approximately $1.01 billion and $1.07 billion as of March 31, 1998 and December 31, 1997, respectively. As of March 31, 1998, the funded backlog of the Company totaled $70.4 million, a decrease from $104.3 million from December 31, 1997. This decrease is primarily due to the sale of TIS which decreased funded backlog by $24.9 million in the first quarter of 1998. Funded backlog represents aggregate contract revenues remaining to be earned by the Company at a given time, but only to the extent, in the case of government contracts, funded by a procuring government agency and allotted to the contracts.

Results of Operations

The condensed consolidated statements of income include the results of operations of Telos Corporation and its wholly owned subsidiaries Telos Corporation (California), Telos Field Engineering, Inc. ("TFE"), Telos International Corporation, and its majority owned subsidiary Enterworks, Inc. ("Enterworks") (collectively, "the Company"). The major elements of the Company's operating expenses as a percentage of sales for the three month periods ended March 31, 1998 and 1997 were as follows:

	Three Months Ended March 31, 1998	Three Months Ended March 31, 1997
Sales	100.0%	100.0%
Cost of sales	(92.4)	(85.8)
SG&A expenses	(14.2)	(12.0)
Goodwill amortization	(0.4)	(0.4)
Operating (loss) income	(7.0)	1.8
Gain on sale of Assets	13.0	--
Other income	--	--
Interest expense	(4.1)	(3.2)
Income (loss) before taxes	1.9	(1.4)
Income tax provision	(0.3)	--
Net income (loss)	$ 1.6%	$(1.4)%

Financial Data by Market Segment

During the first quarter of 1998, the Company modified its view of the business segments that it operates given the increased activities of its majority-owned subsidiary, Enterworks, Inc. The Company now analyzes its business in three distinct market segments: systems and support services which consists of the Company's hardware services and software systems and solutions services; systems integration and Enterworks, Inc.

Sales, gross profit, and gross margin by market segment for the first quarter of 1998 and 1997 were as follows:

	Three Months Ended March 31, 1998	1997
	(amounts in thousands)	
Sales:		
Systems and Support Services	$26,300	$25,836
Systems Integration	16,193	28,227
Enterworks	1,301	282
Total	$43,794	$54,345
Gross Profit:		
Systems and Support Services	$ 4,184	$3,919
Systems Integration	164	3,930
Enterworks	(1,035)	(152)
Total	$ 3,313	$7,697
Gross Margin:		
Systems and Support Services	15.9%	15.2%
Systems Integration	1.0%	13.9%
Enterworks	(79.6)%	(53.9)%
Total	7.6%	14.2%

For the three month period ended March 31, 1998 sales decreased by approximately $10.5 million, or 19.4%, to $43.8 million from $54.3 million for the comparable 1997 period. This decrease for the three month period is due to the Systems Integration Group, which reported decreased sales of $12.0 million. Offsetting this decrease was increased sales during the period by the Systems and Support Services Group and Enterworks of approximately $500,000 and $1.0 million, respectively.

Systems Integration Group sales decreased by $12.0 million during the first quarter of 1998 as compared to the first quarter of 1997. The decrease was primarily due to the Immigration and Naturalization Services Contract, which ended on September 30, 1997.

Within the Systems and Support Services Group, software services sales increased approximately $500,000 due to the start up of MIS Services-II contract supporting Air Force Material Command Sites.

Enterworks sales for the three months ended March 31, 1998 of $1.3 million increased approximately 361% or $1.0 million from $282,000 for the comparable period ended 1997. The increase is primarily due to Enterworks sales to the Army Logistics and healthcare market segments.

Cost of sales decreased by $6.2 million or 13.2% to $40.5 million during the three month period ended March 31, 1998, from $46.6 million in the comparable 1997 period. The decrease in cost of sales resulted from the decrease in sales for the period, offset by a change in product mix.

Gross profit decreased by $4.4 million in the first quarter of 1998 to $3.3 million from $7.7 million in the comparable 1997 period as a result of the matters discussed above. The Systems and Support Services Group improved gross margin was attributed to the MIS Services-II contract. The Systems Integration Group reduced revenue base resulted in increased costs of sales due to disproportionate absorption of its facility and infrastructure costs. In addition, the Systems Integration Group experienced shifts in product mix which significantly impacted gross margin. The result was a decrease in gross margins of 12.9% percent for the Systems Integration Group. Accordingly, gross margin decreased significantly from 1997 to 1998. The decrease in the Enterworks gross margin is directly attributed to increased product amortization costs and increased staff in anticipation of future growth. Total Company gross margins were 7.6% and 14.2% for the three month periods ended March 31, 1998 and 1997, respectively.

Selling, general and administrative costs decreased for the three month period by approximately $300,000 to $6.2 million in 1998 from $6.5 million in 1997. This decrease is due to the Company's consolidation of its administrative support functions. This decrease was slightly offset by increased investment in research and development and sales and marketing for its Enterworks division. SG&A as a percentage of sales was 14.2% and 12.0% for the three month periods ended March 31, 1998 and 1997, respectively.

Goodwill amortization expense was $193,000 for the three months ended March 31, 1998 compared to $225,000 for the period ended March 1997. The decrease in Goodwill amortization was a result of the Goodwill writedown associated with the sale of TIS.

Operating income decreased by $4.1 million during the three months ended March 31, 1998 to $3.1 million in operating loss. The Company had an operating income of $947,000 in the comparable period of 1997. The decrease in operating profit resulted primarily from the aforementioned sales and gross profit decreases.

Telos sold substantially all of the net assets of one of its divisions, TIS, in the first quarter of 1998. The transaction generated approximately $14.7 million in proceeds and a gain of $5.7 million. The sale had no material impact on the operating results for the first quarter of 1998 as compared to 1997. The Company expects that future 1998 quarterly revenues and operating profits will decrease, when compared to 1997, as a result of the TIS sale. Although the Company expects to offset effects of the TIS sale by expanding its business base, there is no assurance that such expansion will occur.

Interest expense increased by approximately $19,000 to $1.8 million during the three month period ended March 31, 1998, from $1.8 million in the comparable period of 1997.

The Company had a tax provision of $125,000 for the three month period ended 1998, the Company did not have a tax provision in the three month period ended March 31, 1997.

Liquidity and Capital Resources

For the three months ended March 31, 1998, the Company provided $13.3 million of cash in its operating activities. Excluding the effect of the TIS transaction, this cash was provided by reductions of accounts receivable of $22.5 million, offset by decreases in accounts payable of $6.3 million and increased losses incurred in operations. Cash provided by investing activities was $13.6 million, which is a result of the proceeds from the sale of TIS of $14.7 million. Cash was used by financing activities during the quarter to pay down approximately $27.0 million in debt.

At March 31, 1998, the Company had outstanding debt and long term obligations of $41.9 million, consisting of $12.9 million under the secured senior credit facility, $17.0 million in subordinated debt, and $12.0 million in capital lease obligations.

The Company continually evaluates its financing requirements to support its business base. Company revenues are seasonal primarily due to the federal government's fiscal year ending in September 30, of each year. The Company anticipates that its current secured senior credit facility will be adequate for 1998. The Company has and continues to evaluate various financing options for additional capital infusion and long-term growth.

On May 8, 1998 the Company entered into an agreement with one of its shareholders, Union de Banques Suisses (Luxembourg) S.A. ("UBS"), to retire all of UBS's equity holdings in the Company for approximately $5.5 million. In addition, the Company agreed to pay UBS $1.0 million for the termination of a letter agreement between UBS and the Company, as well as a negotiation fee for certain expenses UBS incurred in connection with past services performed on behalf of the Company. The total price of $6.5 million was funded by borrowings under the Company's term facility as well as two separate letters of credit secured by the Company's lender.

Year 2000
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The Company, like most owners of computer software, will be required to modify significant portions of its software so that it will function properly in the year 2000. Systems that do not properly recognize date-sensitive information could generate erroneous data or cause a system to fail. The Company expects to incur internal staff costs as well as consulting and other expenses related to software and infrastructure enhancements necessary to prepare the systems for the year 2000. Maintenance or modification costs will be expensed as incurred, while the costs of new software will be capitalized and amortized over the software's useful life. Management believes that the year 2000 compliance expense will not have a material effect on the Company.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects" and similar expressions are intended to identify forward-looking statements. There are a number of important factors that could cause the Company's actual results to differ materially from those indicated by such forward-looking statements. These factors include, without limitation, those set forth below under the caption "Certain Factors That May Affect Future Results."

Certain Factors That May Affect Future Results

The following important factors, among others, could cause actual results to differ materially from those indicated by forward-looking statements made in this Quarterly Report on Form 10-Q and presented elsewhere by management from time to time.

A number of uncertainties exist that could affect the Company's future operating results, including, without limitation, general economic conditions, the timing and approval of the federal government's fiscal year budget, business growth through obtaining new business and, once obtained, the Company's ability to successfully perform at a profit, the Company's ability to convert contract backlog to revenue, the Company's ability to secure adequate capital and financing to support continued business growth, and the risk of the federal government terminating contracts with the Company. While the Company has not experienced contract terminations with the federal government, the federal government can terminate at its convenience. Should this occur, the Company's operating results could be adversely impacted.

As a high percentage of the Company's revenue is derived from business with the federal government, the Company's operating results could be adversely impacted should the federal government not approve and implement its annual budget in a timely fashion.

While the Company believes it has adequate financing to support its revenue base anticipated for 1998, the Company's growth depends upon its ability to obtain additional capital and financing sources. The Company continually reviews the requirements for additional financing. However, no assurance can be made on whether such financing, if necessary, can be obtained, or if available, that it will be available on acceptable terms.

PART II - OTHER INFORMATION

Item 3. Defaults Upon Senior Securities

Senior and Class B Redeemable Preferred Stocks

The Company has not declared dividends on its Senior Redeemable Preferred Stock, Series A-1 and A-2, and its Class B Redeemable Preferred Stock since their issuance. Total undeclared unpaid dividends, accrued for financial reporting purposes, are $2,312,000 for the Series A-1, A-2 Preferred stock and $4,796,000 for the Class B Preferred Stock at March 31, 1998. The Class B Redeemable Preferred stock was retired in May 1998. See Subsequent Event discussed in Note 4 to financial statements for quarter ended March 31, 1998.

12% Cumulative Exchangeable Redeemable Preferred Stock

Through November 21, 1995, the Company had the option to pay dividends in additional shares of Preferred Stock in lieu of cash, (provided there were no blocks on payment as further discussed below). Dividends are payable by the Company, provided the Company has legally available funds under Maryland law and is able to pay dividends under its charter and other corporate documents, when and if declared by the Board of Directors, commencing June 1, 1990, and on each six month anniversary thereof. Dividends in additional shares of the Preferred Stock were paid at the rate of 0.06 of a share for each $.60 of such dividends not paid in cash. No dividends have been declared or paid during fiscal years 1992 through 1997. Cumulative undeclared dividends as of March 31, 1998 accrued for financial reporting purposes totaled $14,735,000. Dividends for the years 1992 through 1994 and for the dividend payable June 1, 1995 were accrued under the assumption that the dividend will be paid in additional shares of preferred stock and are valued at $3,950,000. Had the Company accrued these dividends on a cash basis, the total amount accrued would have been $15,101,000. For the cash dividends payable since December 1, 1995, the Company has accrued $10,795,000.

The Company has not declared or paid dividends since 1991, due to restrictions and ambiguities relating to the payment of dividends contained within its charter, its working capital facility agreement, and under Maryland law.

Item 5. Other Events

Sale of Assets

On February 28, 1998, Telos Corporation sold substantially all of the net assets of one of its divisions, Telos Information Systems ("TIS"), to NYMA, Inc., a subsidiary of Federal Data Corporation of Bethesda, Maryland for approximately $14.7 million in cash. The Company has recorded a gain of $5.7 million on its condensed consolidated statement of income for the three months ended March 31, 1998.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

27 Financial Data Schedule

(b) Reports on Form 8-K: Registrant filed a Current Report on Form 8-K/A, dated March 18, 1998, in respect of the Registrant's selling its software support division, Telos Information Systems, on February 28, 1998.

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 thereunto duly authorized.

DATE:	Telos Corporation
May 15, 1998	/s/ Lorenzo Tellez ------------------ Lorenzo Tellez (Principal Financial Officer & Principal Accounting Officer)

This schedule contains summary financial information extracted from the consolidated balance sheets and statements of income for Telos Corporation and is qualified in its entirety by reference to such financial statements.

3-MOS
Dec-31-1998
Mar-31-1998
412,000
0
36,642,000
1,215,000
9,899,000
5,494,000
38,217,000
22,715,000
80,052,000
29,174,000
41,874,000
47,944,000
0
78,000
(39,018,000)
80,052,000
16,193,000
43,794,000
16,029,000
40,481,000
0
0
1,779,000
0
125,000
677,000
0
0
0
677,000
0
0