UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K
CURRENT REPORT

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

Date of Report (date of earliest event reported): July 19, 2002

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

Maryland	1-8443	52-0880974
(State of Incorporation)	(Commission File Number)	(I.R.S. Employer ID No.)

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

Registrant's telephone number, including area code
(703) 724-3800

Item 2. Disposition of Business

On July 19, 2002 Telos Corporation, a Maryland corporation ("the Company") and L-3 Communications Corporation ("L-3") entered into a purchase agreement whereby the Company sold all of the issued and outstanding shares of its wholly owned subsidiary, Telos Corporation - California ("TCC") to L-3 for a purchase price of approximately $20 million. The parties agreed to pay the full amount of the purchase price as follows: 1) approximately $15.3 million to the Company at closing; 2) $2.0 million held in an escrow account which will be paid to the Company over the next 30 months. The escrow amount may be subject to a reduction if any claims for indemnification of L-3 arise during the 30 month period after July 19, 2002; 3) approximately $2.7 million held back as deposits for liabilities relating to leased properties in which at the time of closing TCC was a lessee or guarantor. Such deposits will be released to the Company consistent with their respective agreements in installments over the next five years.

The purchase price shall be increased or decreased on a dollar for dollar basis by the amount by which the closing date net assets, as defined in the Purchase Agreement, deviate from $2.3 million. This adjustment of the sale price will be determined within 75 days from the date of closing. In accordance with the Company's loan agreement, all proceeds from the sale have been used to pay down the Company's Senior Revolving Credit Facility.

As additional consideration for the sale of the shares of TCC, the Company and its affiliates committed to certain "Non-Compete" and "No Solicitation" provisions relating primarily to the business and employees associated with its TCC/Ft. Monmouth operations.

The sale of TCC has been treated as a discontinued operation in accordance with SFAS 144, "Accounting for the Impairment or Disposal of long-Lived Assets."

Item 7. Financial Statements and Exhibits

(a) Financial Statements of Businesses Acquired - Not Applicable
(b) Pro Forma Financial Information - Pro forma financial information

statements are included herein pursuant to Article 11 of Regulation S-X.

(c) Exhibits - None

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities and Exchange Act of 1934, as amended, the registrant has duly caused this report to be filed on its behalf by the undersigned, thereunto duly authorized.

Telos Corporation

Date: August 5, 2002

By: /s/ Thomas J. Ferrara
Thomas J. Ferrara
Chief Financial Officer

TELOS CORPORATION AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On July 19, 2002 Telos Corporation, a Maryland corporation ("the Company") and L-3 Communications Corporation ("L-3") entered into a purchase agreement whereby the Company sold all of the issued and outstanding shares of its wholly owned subsidiary, Telos Corporation - California ("TCC") to L-3 for a purchase price of approximately $20 million. The parties agreed to pay the full amount of the purchase price as follows: 1) approximately $15.3 million to the Company at closing; 2) $2.0 million held in an escrow account which will be paid to the Company over the next 30 months. The escrow amount may be subject to a reduction if any claims for indemnification of L-3 arise during the 30 month period after July 19, 2002; 3) approximately $2.7 million held back as deposits for liabilities relating to leased properties in which at the time of closing TCC was a lessee or guarantor. Such deposits will be released to the Company consistent with their respective agreements in installments over the next five years.

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As additional consideration for the sale of the shares of TCC, the Company and its affiliates committed to certain "Non-Compete" and "No Solicitation" provisions relating primarily to the business and employees associated with its TCC/Ft. Monmouth operations.

The sale of TCC has been treated as a discontinued operation in accordance with SFAS 144, "Accounting for the Impairment or Disposal of long-Lived Assets."

The following unaudited Pro Forma Condensed Consolidated Balance Sheet as of June 30, 2002 reflects the Company's Condensed Consolidated Balance Sheet as of June 30, 2002, as previously reported, adjusted for the effects of the sale of TCC and the application of the net proceeds thereof, assuming the transaction occurred on June 30, 2002. The unaudited Pro Forma Consolidated Statements of Operations for the three years ended December 31, 2001 and for the six months ended June 30, 2002 ("pro forma financial information") present the pro forma effect of the transaction as if it occurred as of January 1, 1999. In accordance with the rules of the Commission, the estimated gain on the sale of TCC, net of applicable income taxes, of $12.0 million has been excluded from the Pro-Forma Consolidated Statements of Operations because it is a non-recurring item. Such gain is included as an adjustment to retained deficit in the accompanying unaudited Pro-Forma Condensed Consolidated Balance Sheet as of June 30, 2002.

The objective of pro forma financial information is to provide investors with information about the estimated continuing impact of particular completed or probable transactions by indicating how the transactions might have affected historical financial statements had they occurred at an earlier date. These Pro forma statements are subject to a number of estimates, assumptions and other uncertainties, and do not purport to be indicative of the actual financial position or results of operations that would have occurred had the transaction and events reflected herein in fact occurred on the dates specified, nor do such financial statements purport to be indicative of the results of operations or financial condition that may be achieved in the future. These unaudited pro forma condensed consolidated financial statements should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and all of the financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

TELOS CORPORATION AND SUBSIDIARIES
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2002
(Unaudited)
(amounts in thousands)

	Historical Balances	Pro Forma TCC	Pro Forma Adjustments	Pro Forma Balances
Sales				
Systems and Support Services	$23,418	$23,418 (d)	$ --	$ --
Products	33,118	--	--	33,118
Xacta	5,428	--	--	5,428
	61,964	23,418	--	38,546
Costs and expenses				
Cost of sales	54,557	21,264 (d)	--	33,293
Selling,general and administrative expenses	10,522	2,739 (e)	--	7,783
Goodwill amortization	--	--	--	--
Operating loss	(3,115)	(585)	--	(2,530)
Other income (expenses)				
Other income	--	5 (d)	--	(5)
Interest expense	(1,655)	(460)(f)	--	(1,195)
Loss before taxes	(4,770)	(1,040)	--	(3,730)
Income tax benefit (provision)	1,234	--	(269) (g)	965
Loss from continuing operations	$(3,536)	$(1,040)	$(269)	$(2,765)

Please see Notes to the unaudited Pro Forma Consolidated Statement of Operations and Consolidated Balance Sheet.

TELOS CORPORATION AND SUBSIDIARIES
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Unaudited)
(amounts in thousands)

	Historical Balances	Pro Forma TCC	Pro Forma Adjustments	Pro Forma Balances
Sales				
Systems and Support Services	$60,402	$58,073 (d)	$(2,329)(h)	$ --
Products	96,301	--	2,329 (h)	98,630
Xacta	13,558	--	--	13,558
	170,261	58,073	--	112,188
Costs and expenses				
Cost of sales	143,041	53,783 (d)	--	89,258
Selling, general and administrative expenses	24,634	6,099 (e)	--	18,535
Goodwill amortization	250	250 (d)	--	--
Operating income	2,336	(2,059)	--	4,395
Other income (expenses)				
Other income	70	3 (d)	--	67
Interest expense	(4,073)	(878)(f)	--	(3,195)
(Loss) income before taxes	(1,667)	(2,934)	--	1,267
Income tax benefit (provision)	996	--	(756) (g)	240
(Loss) income from continuing operations	$(671)	$(2,934)	$(756)	$1,507

Please see Notes to the unaudited Pro Forma Consolidated Statement of Operations and Consolidated Balance Sheet.

TELOS CORPORATION AND SUBSIDIARIES
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2000
(Unaudited)
(amounts in thousands)

	Historical Balances	Pro Forma TCC	Pro Forma Adjustments	Pro Forma Balances
Sales				
Systems and Support Services	$48,429	$48,429 (d)	$ --	$ --
Products	87,799	--	--	87,799
Xacta	9,082	--	--	9,082
	145,310	48,429	--	96,881
Costs and expenses				
Cost of sales	124,028	43,076 (d)	--	80,952
Selling, general and administrative expenses	19,796	6,549 (e)	--	13,247
Goodwill amortization	312	312 (d)	--	--
Operating income	1,174	(1,508)	--	2,682
Other income (expenses)				
Equity in earnings of Telos OK	2,328	2,328 (d)	--	--
Other income	98	6 (d)	--	92
Interest expense	(4,777)	(1,286)(f)	--	(3,491)
Loss before taxes	(1,177)	(460)	--	(717)
Income tax provision	(617)	--	409 (g)	(208)
Loss from continuing operations	$(1,794)	$(460)	$409	$(925)

Please see Notes to the unaudited Pro Forma Consolidated Statement of Operations and Consolidated Balance Sheet.

TELOS CORPORATION AND SUBSIDIARIES
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Unaudited)
(amounts in thousands)

	Historical Balances	Pro Forma TCC	Pro Forma Adjustments	Pro Forma Balances
Sales				
Systems and Support Services	$77,701	$77,701 (d)	$ --	$ --
Products	89,261	--	--	89,261
Xacta	4,402	--	--	4,402
	171,364	77,701	--	93,663
Costs and expenses				
Cost of sales	151,216	65,653 (d)	--	85,563
Selling, general and administrative expenses	17,459	5,568 (e)	--	11,891
Goodwill amortization	489	489 (d)	--	--
Operating income (loss)	2,200	5,991	--	(3,791)
Other income (expenses)				
Equity in net losses of Enterworks	(18,765)	--	--	(18,765)
Other income	67	5 (d)	--	62
Gain on sale of assets	4,731	4,731 (d)	--	--
Interest expense	(6,065)	(1,705)(f)	--	(4,360)
(Loss) income before taxes	(17,832)	9,022	--	(26,854)
Income tax benefit (provision)	7,853	--	(1,750)(g)	6,103
(Loss) income from continuing operations	$(9,979)	$9,022	$(1,750)	$(20,751)

Please see Notes to the unaudited Pro Forma Consolidated Statement of Operations and Consolidated Balance Sheet.

TELOS CORPORATION AND SUBSIDIARIES
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
AT JUNE 30, 2002
(Unaudited)
(amounts in thousands)

ASSETS

	Historical	Pro Forma		
	Balances	TCC	Adjustments	Balances
Current assets				
Cash and cash equivalents	$ 109	$ --	$ 2,037(a)	$ 2,146
Accounts receivable, net	24,571	28,419(b)	23,816(b)	19,968
Inventories, net	4,001	--	--	4,001
Deferred income taxes, current	3,307	578(b)	--(g)	2,729
Other current assets	106	11(b)	--	95
Total current assets	32,094	29,008	25,853	28,939
Property and equipment, net	10,834	51(b)	--	10,783
Goodwill, net	2,499	2,499(b)	--	--
Deferred income taxes, long term	6,216	425(b)	--(g)	5,791
Other assets	549	6(b)	--	543
	$52,192	$31,989	$ 25,853	$46,056

LIABILITIES AND STOCKHOLDERS' INVESTMENT

	Historical Balances	TCC	Adjustments	Pro Forma Balances
Current liabilities				
Accounts payable	$ 11,834	$3,097(b)	$ --	$ 8,737
Other current liabilities	1,293	1(b)	--(g)	1,292
Unearned revenue	8,402	20(b)	--	8,382
Senior credit facility	13,278	--	(13,278)(a)	--
Senior subordinated notes	8,179	--	--	8,179
Accrued compensation and benefits	7,615	1,838(b)	--	5,777
Total current liabilities	50,601	4,956	(13,278)	32,367
Capital lease obligations	10,509	10(b)	--	10,499
Total liabilities	61,110	4,966	(13,278)	42,866
Redeemable preferred stock				
Senior redeemable preferred stock	7,113	--	--	7,113
Redeemable preferred stock	50,709	--	--	50,709
Total preferred stock	57,822	--	--	57,822
Stockholders' investment				
Common stock	78	--	--	78
Capital in excess of par	--	--	--	--
Retained deficit	(66,818)	27,023(b)	39,131(c) (g)	(54,710)
Total stockholders' investment	(66,740)	27,023	39,131	(54,632)
	$ 52,192	$31,989	$ 25,853	$46,056

Please see Notes to the unaudited Pro Forma Consolidated Statement of Operations and Consolidated Balance Sheet.

Pro Forma Adjustments

The pro forma adjustments outlined below present adjustments related to the transaction:

a) Reflects the net receipt of $15.3 million in cash less the pay down of the Company's Senior Revolving Credit Facility in the amount of $13.3 million. The Company's Facility agreement requires that all proceeds from the sale of a subsidiary be used to pay down the Facility balance.

b) Reflects the elimination of the June 30, 2002 TCC accounts from the Company's balance sheet, as well as the elimination of the TCC intercompany balances. Included in the TCC accounts was goodwill of $2.5 million associated with the acquisition of TCC in 1992.

c) In connection with the sale of TCC, the Company expects to record an immediate gain on the transaction in the amount of $12.0 million. This gain is based on a $20 million purchase price, less net assets of approximately $5.9 million, taxes to be paid of $0.1 million, and the escrow holdback of $2.0 million. This gain will be increased in the future should any of the escrow holdback be deemed collectible.

d) Reflects the adjustment to the Statements of Operations for the six month period ended June 30, 2002 and the three years ended December 31, 2001 to separate the operations of TCC from the respective periods.

e) Reflects the general and administrative expense ("S,G & A")allocation to TCC. S,G & A has been allocated based on a three-factor formula which includes TCC's ratio of payroll dollars, operating revenues, and net book value of its tangible capital assets plus inventories to the Company's consolidated payroll dollars, operating revenues and tangible capital assets plus inventories.

f) Reflects the interest allocation to TCC. Interest has been allocated based on the net assets of the discontinued operation in relation to the Company's consolidated net assets plus non-specific debt.

g) Reflects the changes to the income tax provision and corresponding deferred tax assets and liabilities in order to present a stand-alone income tax provision for the Company in accordance with SFAS 109 for the six months ended June 30, 2002 and for the three years ended December 31, 2001.

h) Reflects the revenue from a contract previously reported in the TCC statement of Operations. This contract has subsequently been moved to the parent Company, and is not included in the sale of TCC.