MANTECH INTERNATIONAL CORP
Form 10-K
February 21, 2014

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

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File No. 000-49604
ManTech International Corporation

(Exact name of registrant as specified in its charter)

Delaware	22-1852179
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

12015 Lee Jackson Highway, Fairfax, VA 22033
(Address of principal executive offices)
(703) 218-6000
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Class A Common Stock, Par Value $0.01 Per Share	Nasdaq Stock Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No x

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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2013 was $623,683,461 (based on the closing price of $26.12 per share on June 30, 2013, as reported by the Nasdaq National Market).

There were the following numbers of shares outstanding of each of the registrant's classes of common stock as of February 19, 2014: ManTech International Corp. Class A Common Stock, $0.01 par value per share, 23,849,719 shares; ManTech International Corp. Class B Common Stock, $0.01 par value per share, 13,192,845 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the definitive Proxy Statement to be filed with the Securities Exchange Commission pursuant to Regulation 14A in connection with the registrant's 2014 Annual Meeting of Stockholders, to be filed subsequent to the date hereof, are incorporated by reference into Part III (Items 10, 11, 12, 13 and 14) of this Annual Report on Form 10-K. Such definitive Proxy Statement will be filed with the Commission not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

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PART I

In this document, unless the context indicates otherwise, the terms “Company” and “ManTech” as well as the words “we”, “our”, “ours” and “us” refer to both ManTech International Corporation and its consolidated subsidiaries. The term “registrant” refers only to ManTech International Corporation, a Delaware corporation.

Industry and market data used throughout this Annual Report on Form 10-K were obtained through surveys and studies conducted by third parties, industry and general publications and internal company research. We have not independently verified any of the data from third-party sources nor have we ascertained any underlying economic assumptions relied upon therein. While we are not aware of any misstatements regarding the industry data presented herein, estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in Item 1A “Risk Factors.”

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements that involve substantial risks and uncertainties, many of which are outside of our control. We believe that these statements are within the definition of the Private Securities Litigation Reform Act of 1995. You can identify these statements by the use of words such as “may”, “will”, “expect”, “intend”, “anticipate”, “believe”, “estimate”, “continue”, or the negative of these terms or words of si import. You should read statements that contain these words carefully because they discuss our future expectations, make projections of our future results of operations or financial condition or state other “forward-looking” information.

Although forward-looking statements in this Annual Report reflect our good faith judgment, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. We believe that it is important to communicate our future expectations to our investors. However, there may be events in the future that we are not able to predict accurately or control. Factors that could cause actual results to differ materially from the results we anticipate include, but are not limited to, those discussed in Item 1A “Risk Factors” below, as well as those discussed elsewhere in this Annual Report. We urge you not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report. We undertake no obligation to update any forward-looking statement herein after the date of this Annual Report, whether as a result of new information, subsequent events or circumstances, changes in expectations or otherwise. We also suggest that you carefully review and consider the various disclosures made in this Annual Report that attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

Item 1. Business

Business and Corporate Overview

ManTech is a leading provider of innovative technologies and solutions for mission-critical national security programs for the intelligence community; the departments of Defense, State, Homeland Security, Energy and Justice, including the Federal Bureau of Investigation (FBI); the healthcare and space communities; and other U.S. federal government customers.

We support critical national security programs for approximately 50 federal agencies through over 1,000 current contracts. ManTech supports major national missions, such as cyber intelligence, terrorist threat detection, information security and border protection.

ManTech was founded in 1968 as a New Jersey corporation and was reincorporated as a Delaware corporation in January 2002, just prior to our Initial Public Offering (IPO) in February 2002. We have grown substantially since going public, from revenues of $0.43 billion at the end of 2001 to revenues of $2.31 billion for the year ended December 31, 2013. At December 31, 2013, we had approximately 7,800 employees. For additional financial information, see Item 8 “Financial Statements and Supplemental Data.”

Industry Background

Our primary customer is the U.S. federal government, the largest consumer of services and solutions in the United States. In government fiscal year 2013, the U.S. federal government spent about $278 billion on contracted services.

Our principal focus is on national security and homeland defense customers. The Department of Defense (DoD) is the largest purchaser of services and solutions in the federal government. With a government fiscal year 2014 budget of $582 billion, the DoD accounts for approximately 52% of the total discretionary budget and nearly 58% of contracted services.

After a decade of uninterrupted growth, federal spending has come under pressure in recent years given continued budget deficits and mounting levels of debt. Contentiousness in Congress created uncertainty about funding levels and led to a brief government shutdown in 2013. This environment caused customers to delay awards and spending. In December of 2013, Congress approved a two-year budget framework keeping defense spending roughly constant through 2015; based on this framework, in January 2014, Congress passed and the President signed appropriations for all federal government agencies for the first time in two years. These developments are beginning to provide our customers with the visibility necessary to develop and actively execute spending plans. Customers are now making funding and award decisions, which is a positive development for our industry.

During the last year the government has continued to adopt policies that adversely impact the government services industry. Chief among these was a continued shift to using cost-plus contracts and a focus on cost in proposal evaluations among our customers, as well as an increasing emphasis on making awards to small businesses. Furthermore, we expect that our customers will continue to be motivated to control costs.

We expect government funding priorities will continue to evolve as we exit Afghanistan and debate the nation's strategic interest and objectives. However, we believe that the federal government's spending will remain robust in key areas for which ManTech is well positioned, including national and homeland security programs, sophisticated intelligence gathering and information sharing activities required in a dangerous world and implementation of new healthcare systems and policies. The U.S. is committed to maintaining its superiority in capabilities that we support, such as cyber security, intelligence analysis and operations, and intelligence, surveillance and reconnaissance (ISR). Also, with an increasing veteran population and an aging national population, investments in healthcare will continue. The government is actively looking for cloud-based solutions and data center consolidation to save money as well as systems integration and interoperability to enable better coordination and communication within and among agencies and departments. We believe we are also well positioned in these growth markets.

Our Strategy

We aspire to be recognized by customers, employees, job applicants and investors as the premier provider of technology and engineering services and solutions to the federal government market. We are executing a multi-year strategy for achieving this objective, which is comprised of the following:

•Provide Direct Support to Our Customers' Most Critical Missions

Even in a cost-constrained environment in which certain customers may value low cost more than technical superiority, we believe that our customers will continue to focus on mission and rely on their most trusted prime contractors. Since our founding in 1968, we have focused on providing technology-based solutions and services for mission-critical national security programs. Most of our work centers around our customers' core mission as opposed to support functions. We have several long standing customer relationships; many of our early customers are our customers today. Because our personnel are on-site with, or work in close proximity to our customers, we understand their requirements and are often able to enhance their operations by rapidly identifying and developing solutions for customer-specific requirements.

The prime contractor position is increasingly important, and we have aggressively pursued new prime positions both organically and through acquisitions. In fiscal year 2013, we derived 91.2% of our revenues as a prime contractor, compared to less than 50% just five years ago. As a prime contractor, we are able to enhance the relationship with our customers, ensure overall program success, foresee emerging requirements and manage project resources.

•Compete Aggressively on New Opportunities

We closely track our customers' requirements and funding and have built our capability and capacity to pursue the opportunities that arise. We intend to capitalize on our global footprint and long-term relationships with our customers and our reputation within the intelligence community, DoD and other government agencies to attract new customers and to cross-sell our broad array of solutions to our existing customers. Our successful track record and technical expertise give us credibility with our current customers and enhance our ability to gain follow-on contracts and compete for new programs.

•Build Presence in New Growth Markets

Robust spending on government technical services will offer opportunities for development and delivery of advanced technology solutions for enterprise applications and information systems. We intend to expand our service offerings in such high growth program areas. In particular, we intend to focus on providing new or improved solutions in cyber security, information assurance, insider threat detection, enterprise IT and health IT. Our recent win of the Continuous Monitoring as a Service (CMaaS) basic purchasing agreement within the Department of Homeland Security provides an excellent opportunity to expand our leading cyber security skills to new customers across the federal government.

We plan to pursue strategic acquisitions of businesses that can broaden our domain expertise and service offerings and allow us to establish relationships with new customers. We have successfully acquired 23 businesses since our IPO in February 2002. We will continue to seek out new growth areas. Our balance sheet and $500.0 million revolving credit facility provide us with ample capacity to expand our business through strategic acquisitions.

•Focus on Shareholder Returns

During fiscal year 2013, we generated $188.3 million in operating cash flow and paid $31.2 million in dividends to our shareholders. We believe that ManTech is a compelling investment due to our regular cash dividend program, our strong competitive positioning and our strong balance sheet that allows us to pursue new growth opportunities as there becomes more clarity with respect to our end markets.

Our Solutions and Services

We combine deep domain understanding and technical capability to deliver comprehensive IT, systems engineering, technical and other services and solutions, primarily in support of mission critical national security programs for the intelligence community; DoD; and the healthcare and space communities. We deploy our broad set of services in custom combinations to best address the requirements of our customers' long-term programs. The following solution sets that we provide are aligned with the long-term needs of our customers: cyber security; IT modernization and sustainment; intelligence/counterintelligence solutions and support; systems engineering; healthcare analytics and IT; test and evaluation; C4ISR solutions and services; environmental, range and sustainability services; training services; and global logistics support.

Cyber Security

Ubiquitous security challenges threaten not just traditional IT, but also many other national security systems; embedded electronics on ground, sea and aerospace platforms; classified and law enforcement networks & systems; health IT; and systems providing critical civilian services. Our team of security experts tackles some of the most challenging cyber security problems facing the nation, such as identifying and neutralizing external cyber attacks, engineering tailored defensive security solutions and controls, managing security operations centers (SOCs), developing robust insider threat detection programs and creating enterprise vulnerability management programs. We have provided computer network operations support to important national security customers for more than a decade, working across the three domains of computer network attack, defense and exploitation. We provide comprehensive cyber warfare and cyber defense security solutions and services to the DoD, agencies, in the intelligence community, Department of State, Department of Justice and other federal agencies, as well as commercial clients. We operate 24/7 SOCs for several key government customers, including the departments of Justice and Agriculture and the FBI.

We are also trusted partners in the area of information assurance (IA). Our understanding of IT security guidance and policy allows us to assist our customers in ensuring their programs are protected in accordance with that policy and in developing mitigation strategies to reduce the risks of cyber threats. Our vulnerability assessment and penetration testing capabilities allow us to emulate threats to information, whether from wired or wireless networks, software applications or through social engineering. If a customer is unfortunate enough to have experienced a compromise, we can deploy our incident response team, comprised in part of former cyber federal law enforcement agents, around the world to assist them.

We operate the DoD IA (Cyber) Range for the Defense Information Systems Agency (DISA) and the Office of the Secretary of Defense (OSD) under the operational control of the Marine Corps. In unclassified and classified venues, we provide a full range of services to train cyber warriors; test programs, systems and products; and exercise cyber warfighters and system operations/procedures in a low risk/highly realistic environment to prepare for cyber warfare. We develop operationally realistic, scalable and rapidly configurable environments that replicate or emulate the customer's environment. Our DoD IA (Cyber) Range customer interface includes: Cyber Range infrastructure design and hosting; Cyber Range operations development; Cyber exercise support; Immersive Cyber environments; and real and virtual Red Team activities for providing offensive challenges to cyber defenders.

Our commercial cyber security business builds upon our skills and capabilities acquired in support of federal agencies. By offering a full service cyber solutions capability for the commercial market, we are able to provide ManTech services which augment our commercial product line, and likewise offer those cyber security products to our federal customers. We currently provide forensics support, advanced persistent threat detection, incident response, malware analysis, threat intelligence, and threat management capability to clients in the financial, energy, retail and U.S. critical infrastructure sectors.

Our solutions also support unique mission areas such as computer forensics, cyber threat analysis, computer crimes investigations, security operations center management and specialized cyber training. We perform advanced services in the areas of data mining analysis, atypical data recovery techniques and data extraction. For example, in support of a customer, we develop and staff a national level computer forensic laboratory and provide a broad spectrum of subject matter expertise, including reverse engineering and code analysis; forensic signature creation, detection and analysis; damaged media recovery; hidden data processing; protected data processing; forensic software development; and custom training development and implementation.

IT Modernization and Sustainment

IT plays an increasingly central role in the missions of our defense, intelligence and federal civilian customers, and as a result, is an important part of many of our solution areas. We design, develop, deploy, modernize, operate and maintain IT systems and infrastructure as a stand-alone service offering to improve mission performance and lower costs for our government customers. For the Department of State, we modernize classified and unclassified networks and systems in locations around the world. The backbone of our global capabilities is a comprehensive ISO 9001:2000-certified management and control system designed to provide best value for our customers and to lower the total cost of ownership across the systems' lifecycles. For the Defense Commissary Agency, we provided Network Operations Center services to sustain its global network infrastructure and manage hardware and software at remote sites from headquarters.

We leverage our strong engineering discipline to aid our customers in moving their IT enterprise infrastructure and applications from disparate instances into cloud offerings. The migration towards customer private secure cloud architectures is compelling because it enables our customers to integrate their global IT infrastructure optimally, while still providing the geo-specific requirements where necessary. For a DoD customer we are consolidating multiple instances of stove-piped applications onto a single utility cloud backbone, allowing these legacy applications to continue supporting their mission while lowering the overall operations cost.

We also support the FBI's Criminal Justice Information Services (CJIS), where we are providing operations and maintenance support to one of the world's largest data centers. FBI CJIS equips the law enforcement, national security and intelligence community with the criminal justice information they need to protect the United States while preserving civil liberties. ManTech operates, maintains, refreshes and enhances FBI CJIS IT systems required to process and share mission-critical information for members of the law enforcement community in the United States and abroad. ManTech is sustaining systems that support millions of requests each day, including when police check vehicle license plates or look for a fingerprint match against the largest biometrics database in the world. The mission-critical systems we support must be operational and available 24x7; we understand that the impact to police officers, FBI agents, customs agents and government agencies nationwide would be significant, even life-threatening, if the systems were to go down. Specific functions supported include IT system operations and maintenance, database administration, cyber security and hardware and data center support.

Intelligence/CounterIntelligence Solutions and Support

We provide robust information technology solutions and mission support services that the national intelligence agencies and other classified program customers need to assure continuous operations, improve data gathering and analysis, collaborate securely and protect program security.

Our network architecture planning and implementation services and systems engineering services support enterprise-wide network infrastructures and components that include local area network/wide area network architectures, messaging architectures, network management solutions, directory services architecture and web hosting. These services are provided within secure environments requiring the application of multi-level security policies across the enterprise. For example, we developed a state-of-the-art analytic environment that provides access to regional, national and international information with appropriate security level access controls, providing direct operational support to time-sensitive counterterrorism activities in support of an intelligence community customer.

We support strategic and tactical intelligence systems, networks and facilities across the intelligence community and DoD. We develop and integrate collection and analysis systems and techniques. We also provide support to the development and application of analytical techniques to counterintelligence, Human-Intelligence operations/training and counter-terrorist operations. For example, we support intelligence operations designed to counter narcotics trafficking along our nation's southwest border.

Highly-classified programs, including intelligence operations and military programs, require secrecy management and security infrastructure services. These services can include vulnerability assessment, exposure analysis, secrecy architecture design, security policy development and implementation, lifecycle acquisition program security, operations security, information assurance, Anti-Tamper, Export Compliance support, foreign disclosure, system security engineering, security awareness and training, comprehensive security support services and technical certification and accreditation services. We provide integrated security support for a number of programs, including the Joint Strike Fighter (JSF) Program, which presents one of the most complex security problem sets of any weapon system in our nation's history due to the numerous highly classified technologies incorporated in its design and international content in both its development and its usage.

Systems Engineering

Since 1968, ManTech's scientists and engineers have provided disciplined systems engineering support to a wide range of customers that presently includes programs and offices within the Department of Homeland Security (DHS), DoD and intelligence community. For example, we perform comprehensive systems engineering services to analyze, develop and integrate solutions for U.S. Navy hardware and software requirements across subsurface, surface, ground, air and space domains; provide acquisition and program management support for the DHS's Customs and Border Protection (CBP) Office of Technology, Innovation and Acquisition; and support current and future space launch operations for the U.S. Air Force Launch and Range Systems Wing with systems engineering and integration services. We also provide scientific, engineering and technical support services to the Department of Energy's SunShot Initiative, which aims to reduce by 75% the cost of utility-scale electricity at the grid by the year 2020.

Our proprietary systems engineering toolset, the ManTech Enterprise Framework, provides a regimented and interdisciplinary approach to transition from a stated need to an operationally effective and suitable system, service or capability. Based in “Systems Thinking,” the framework is an overarching and proven process that integrates the full spectrum of project management, systems engineering and acquisition practices necessary to effectively manage a project or system over its lifecycle. Through it, we address a full 360-degree perspective of a program, including disciplines of system, software, hardware, acoustics, communications, reliability, safety and test engineering, as well as modeling, simulation and analysis. Our long-term commitment to the systems engineering discipline is exemplified by our achievement of our Capability Maturity Model® Integration (CMMI) Level 3 rating for Software and Systems Engineering.

Healthcare Analytics and IT

As a focused healthcare systems integrator with particular strength in federal healthcare systems, ManTech supports a wide range of programs that enable clinical intelligence, quality, patient and family centric care, chronic disease management, and comparative effectiveness research. We deliver domain-specific capabilities, including solutions that encompass health information sharing and clinical analytic solutions. Our technology solutions empower patients and providers with better, richer, and more timely data, care coordination solutions, and imaging management capabilities-all built on interoperable platforms to new national standards. For imaging, informatics, interoperability and integration challenges, our team provides a powerful ally in the transformation of health IT.

One area of particular emphasis is the creation of a seamless medical record across the DoD and the Department of Veterans Affairs (VA). The Bidirectional Health Information Exchange (BHIE) has been the primary interoperability platform between the DoD and the VA for many years. Used daily by thousands of providers, it is one of the world's most comprehensive and highest volume Health Information Exchanges (HIEs). The legacy BHIE system was so successful that demands placed on the system outgrew its original design. ManTech helped migrate the system toward modern health IT standards by adopting the Nationwide Health Information Network and associated standards wherever possible. The Virtual Lifetime Electronic Record (VLER) effort, which is being carried out in conjunction with the BHIE upgrade project, enables sharing not only between DoD and VA, but also between the government and civilian provider networks and local HIEs. VLER relies on the Nationwide Health Information Network as the mechanism through which to share standards-based health data between DoD, VA and private sector partners. ManTech has developed VLER-Health on behalf of the DoD in conjunction with its work to upgrade the BHIE. Functional domain content for BHIE and VLER-Health overlaps significantly; ManTech is integrating these two projects to share data-access methods and use DoD's Nationwide Health Information Network gateway.

Test and Evaluation

ManTech is a leading provider of test and evaluation services to a wide range of defense, intelligence, homeland security and space customers. Our test and evaluation services are tightly linked with our systems engineering capabilities and include specific competencies in test engineering, preparation and planning; modeling and simulation; test range operations and management; systems and cyber vulnerability; and Independent Validation & Verification (IV&V). Employing a technical staff with a wide range of practical experience and education, we provide our clients with the right skill sets to support and perform operational and developmental tests.

We test complex and mission-critical hardware and software systems used by the Army, Navy and Marine Corps, with many of these customer relationships spanning more than three decades. We have played key roles in improving the performance, reliability, maintainability, supportability and weapons effectiveness of all Navy in-service rotary and fixed wing platforms and their associated systems and ordnance. Likewise, we maintain a facility to support Marine Corps intelligence systems research and development providing the associated test and evaluation required to ensure these systems meet specified requirements for Marines in the field.

We perform independent tests to certify that new or upgraded systems operate in accordance with design requirements and interoperate with legacy systems. For example, for the past 25 years ManTech has installed, operated and maintained a large and complex joint test environment for the Joint Interoperability Test Command within DISA. Recently, we built a systems integration lab (SIL) for a DoD customer that enables engineers to test new hardware and software on a virtual copy of the enterprise architecture. Once per quarter, virtual snapshots are taken of the servers and placed in the SIL to create an accurate facsimile of the production environment. We have also performed certification services for aircraft weapon systems in support of U.S. Naval Air Systems Command programs.

Additionally, we are the prime contractor supporting the U.S. Army's Electronic Proving Ground at Fort Huachuca, AZ. ManTech provides support testing for command, control, communications, computers and intelligence, navigation and sensor systems for reliability, availability and maintainability, electromagnetic interference/electromagnetic compatibility and security. We provide a full spectrum of services including scientific, engineering, technical, administrative, maintenance and logistics. Other services include instrumentation and hardware/software-related development, as well as laboratory/test bed operations and special studies in Aberdeen Proving Ground, MD; Fort Huachuca; Yuma Proving Ground, AZ; Fort Hood and Fort Bliss, TX; Fort Lewis, WA; and White Sands Missile Range, NM.

C4ISR Solutions and Services

Military operations increasingly rely on communication and information architectures that offer global connectivity and interoperability between joint, interagency and multi-national forces. We provide the full-spectrum of C4ISR solutions and services in support of national defense, intelligence and homeland security missions. Our C4ISR solutions and services include systems engineering, systems integration and software engineering using the latest Agile methodologies. Our end-to-end lifecycle services enable our customers to accomplish critical, complex missions using the latest in technology. We integrate systems, sensors, multi-source intelligence information, data dissemination systems and applications to ensure the troops have the right information at the right time on the battlefield. Our support spans the entire lifecycle continuum, from initial requirements assessment and program management support, through engineering, development and integration, test and evaluation, deployment and training to the ultimate operation and maintenance of C4ISR solutions. Our experience spans all of the military services, with support provided in the U.S. and in deployed locations worldwide. We are also engaged at Fort Bliss, TX in support of the Army's Network Integration Evaluation exercises and provide network engineering and other technical support to the C4ISR lifecycle.

Through various roles from program management and acquisition support to software development and integration, we have supported the delivery of C4ISR-related solutions for the U.S. Army Communications-Electronics Command (CECOM), the U.S. Navy Space & Naval Warfare Systems Command (SPAWAR) and the U.S. Marine Corps Systems Command (MARCORSYSCOM). Our experience in delivering new capabilities includes many critical systems such as the Joint Network Node (JNN), the Distributed Common Ground Systems-Army (DCGS-A), the Advanced Monitoring Display System (AMDS), the EQ-36 RADAR system and many others. ManTech has a proven record in successful post-development support for C4ISR systems. For major systems like the Army's DCGS-A and Base Expeditionary Targeting and Surveillance Systems-Combined (BETSS-C), we provide training, fielding, logistics support and forward maintenance.

Environmental, Range and Sustainability Services

ManTech is a leader in the fields of environmental, range and sustainability planning, regulatory compliance, biological resources and policy development. In an increasingly interconnected world with growing demands for limited resources, we provide trusted solutions that meet today's most pressing challenges while securing the future. Our multidisciplinary staff of planners, scientists, analysts and managers brings the education, experience and expertise to develop and execute comprehensive sustainability strategies and environmental compliance programs in support of government and industry. We work with our customer to manage and comply with the nation's most important environmental laws, including the National Environmental Policy Act, the Endangered Species Act, and the Marine Mammal Protection Act. We also provide ocean and coastal environmental planning, coastal zone management planning, biological surveys and monitoring, bioacoustics and noise analysis, habitat restoration, invasive species management and solid-waste compliance support.

For example, naval training and test ranges can require large areas and are often questioned for their potential impact on sensitive environments. In order to retain the ability to train personnel and test equipment, the Navy has developed an integrated program to assess the impact of its ranges and minimize impact on the environment, populated areas, shipping and navigation. Tactical Training Theater Assessment Program (TAP) is the Navy's comprehensive program focused on environmental planning and sustainability of training and test ranges worldwide. ManTech delivers critical planning solutions to complex environmental and regulatory challenges in order to preserve and enhance the capabilities of Navy and Marine Corps ranges.

Also, ManTech has supported Vandenberg Air Force Base to execute its environmental planning programs for nearly 25 years. ManTech has a diverse background in all aspects of launch-support operations and environmental planning for the 30th Civil Engineering Squadron Environmental Flight. We understand both the unique operational conditions and mission requirements of this installation and its tenant commands and the demands of sustaining and conserving the natural and cultural resources that are found at Vandenberg Air Force Base. Our support includes a team of highly experienced biologists, ecologists and National Environmental Policy Act (NEPA) specialists. ManTech's support under this program includes sensitive species management plans, threatened and endangered species surveys, marine mammal monitoring, invasive species control, construction monitoring, habitat restoration plans and implementation, predator control, biological and environmental assessments, mitigation monitoring, erosion control, storm water monitoring and solid waste environmental compliance.

Training Services

After more than four decades of successful performance, ManTech’s training organizations remain consistently capable of meeting any training need our customers have encountered. ManTech personnel have developed training curriculum for more than 150 occupational specialties, delivering several tens of thousands of hours of instructional material for use in classrooms, on the job, via distributable DVD, or on Enterprise Learning Management Systems such as Army Knowledge Online (AKO) and Navy Knowledge Online (NKO).

Our services and products encompass the entire spectrum of Instructional Systems Development (ISD), from analysis of job training needs to evaluation of the effectiveness of training. Our principal products include Instructor Led Training (ILT) curriculum, On-the-Job Training (OJT) Handbooks, Interactive Courseware (ICW)/Interactive Multimedia Instruction (IMI) and virtual system training. ManTech instructors provide training to large and small groups of trainees aboard ship, in the field and in customer or ManTech’s own classrooms.

ManTech’s cutting edge training technology is best shown in the Cyber Security training work we are doing for the U.S. Navy Space and Naval Warfare Command (SPAWAR). To meet the needs of Navy Information

Assurance/Computer Network Defense (IA/CND) training, ManTech developed a virtualized network training system that is being recognized as the foremost training solution for hands-on training in Cyber defense. This virtual system training environment (VSTE) provides a compact, mobile training laboratory hosting multiple suites of totally virtualized fully operational networks for student access and practice in IA/CND system operation, administration, troubleshooting, and threat analysis. ManTech is using this mobile system to train the Navy technicians aboard every ship in the U.S. Navy, the Military Sealift Command, and at the Network Operating Centers (NOCs) worldwide. To support a recent critical upgrade of the Host Based Security System (HBSS), ManTech produced 10 mobile training systems and fielded Mobile Training Teams to successfully train 325 ships and the NOCs within 7 months.

Working hand-in-hand with SPAWAR Systems Center, Pacific, ManTech is currently implementing an Enterprise Virtual Training Environment (VTE) that will provide 7/24 secure access for Navy Network Security Vulnerability Technician (NSVT) training at the Center for Information Dominance (CID) Learning Sites at CONUS and OCONUS locations. This environment is expected to ultimately be made available to Navy ships and bases worldwide for IT initial, refresher and sustainment training.

Global Logistics Support

The DoD, Department of State and other federal agencies have a continual need for logistics support worldwide. For decades, ManTech has provided a wide range of core services to meet such needs, including supply chain management support (such as warehousing, logistics management, shipping/receiving and property management), maintenance and reset of ground vehicles and electronics, transportation using contracted and government provided services and other field services support (including fielding, training and operations support).

We provide logistics, repair and maintenance services, unique system training and development curriculum support, resource management and inventory tracking technologies for complex, critical and specialized customer systems in deployed, isolated and remote locations worldwide. On behalf of the U.S. Army in Southwest Asia, we maintain critical and life-sustaining operational readiness levels for counter-improvised explosive device (IED) vehicles and systems, including Mine-Resistant Ambush-Protected (MRAP) vehicles and MRAP All-Terrain Vehicles (M-ATV). To that end, we develop and manage supply levels and the streamlined operation of supply-chain channels, including vendor partnerships with original equipment manufacturers to ensure the expedient, unencumbered delivery of systems and parts to forward operating theater locations. At the height of our support, we had approximately 2,500 employees deployed overseas in support of these operations. Currently, we have approximately 900 employees deployed in support of in-theater operations.

We also support the U.S. Department of State Global IT Modernization Program by centrally managing the worldwide modernization of their computer networks. We design, support the procurement of and integrate the latest system software and hardware technologies including servers, switches, workstations and network printers. Our installation teams travel to Department of State locations worldwide to complete each installation.

Our Customers

Our primary customers are U.S. federal government intelligence, military, space and civilian agencies. In addition, we support some state and local governments and commercial customers. We derive most of our revenues from national security and homeland defense customers. We have successful, long-standing relationships with our customers, having supported many of them for over 40 years.

Year Ended December 31,	Percentage of Revenues from Federal Government Customers	Percentage of Revenues from National Security and Homeland Defense Customers
2013	99.0%	95.6%
2012	99.2%	95.4%
2011	99.2%	96.6%

Our customers include the departments of Defense, State, Homeland Security, Energy and Justice, including the FBI; the healthcare and space communities and other U.S. federal government customers.

To provide deep understanding of our customers' missions, we target candidates for employment who have served in the military or as civilian experts in the intelligence community and DoD, as well as those who are leading specialists in their technology disciplines. Since 2006, we have annually been ranked in the Top 10 in the nation on the G.I. Jobs Magazine Military-Friendly Employers list.

Our federal government customers typically exercise independent contracting authority, and even offices or divisions within an agency or department may directly, or through a prime contractor, use our services as a separate customer so long as that customer has independent decision-making and contracting authority within its organization. For example, under a contract with one of the Army's contracting agencies, program managers throughout the Army and from other services and defense agencies are able to purchase a wide range of our solutions. The U.S. Army Tank-Automotive Armament Command (TACOM) contract accounted for 19.4%, 22.2% and 17.0% of our revenues for the years ended December 31, 2013, 2012 and 2011, respectively.

Foreign Operations

We treat sales to U.S. government customers as sales within the United States, regardless of where services are performed. The percentage of total revenues by geographic customer for the last three years were as follows:

	Year Ended December 31, 2013	2012	2011
United States	99.8 %	99.8 %	99.7 %
International	0.2 %	0.2 %	0.3 %
Total	100.0 %	100.0 %	100.0 %

Backlog

At December 31, 2013, our backlog was $3.9 billion, of which $1.1 billion was funded backlog. At December 31, 2012, our backlog was $6.5 billion, of which $1.8 billion was funded backlog. The decrease in our backlog primarily reflects reduced demand on contracts related to Overseas Contingency Operations (OCO) resulting from the accelerated withdrawal from Afghanistan. We expect that approximately 38.9% of our total backlog will be recognized as revenues prior to December 31, 2014.

We define backlog as our estimate of the remaining future revenues from existing signed contracts, assuming the exercise of all options relating to such contracts and including executed task orders issued under indefinite delivery/indefinite quantity (ID/IQ) contracts. We also include an estimate of revenues for solutions that we believe we will be asked to provide in the future under the terms of ID/IQ contracts for which we have an established pattern of revenues.

We define funded backlog to be the portion of backlog for which funding currently is appropriated and allocated to the contract by the purchasing agency or otherwise authorized for payment by the customer upon completion of a specified portion of work. Our funded backlog does not include the full value of our contracts, because Congress often appropriates funds for a particular program or contract on a yearly or quarterly basis, even though the contract may call for performance that is expected to take a number of years.

Changes in the amount of our backlog and funded backlog result from potential future revenues following the execution of new contracts or the extension of existing contracts, reductions from contracts that end or are not renewed, reductions from the early termination of contracts and adjustments to estimates for previously included contracts. Changes in the amount of our funded backlog also are affected by the funding cycles of the government. Our estimates of future revenues are inexact and the receipt and timing of any of these revenues is subject to various contingencies, many of which are beyond our control. The actual accrual of revenues on programs included in backlog and funded backlog may never occur or may change because a program schedule could change, a program could be canceled, a contract could be modified or canceled, an option that we have assumed would be exercised is not exercised or initial estimates regarding the amount of services that we may provide could prove to be wrong. For the same reason, we believe that period-to-period comparisons of backlog and funded backlog are not necessarily indicative of future revenues that we may receive.

Patents, Trademarks, Trade Secrets and Licenses

We own a limited number of patents. We also maintain a number of trademarks and service marks to identify and distinguish the goods and services we offer. While we believe protecting our patents, marks, trade secrets and vital confidential information is important, our business does not depend on the existence or protection of such intellectual property.

Seasonality

Our business is not seasonal. However, it is not uncommon for federal government agencies to award extra tasks or complete other contract actions in the weeks before the end of the federal government's fiscal year (which is September 30) in order to avoid the loss of unexpended fiscal year funds. Additionally, our quarterly results are impacted by the number of working days in a given quarter. There are generally fewer working days for our employees to generate revenues in the first and fourth quarters of our fiscal year.

Competition

Our key competitors currently include divisions of large defense contractors, as well as a number of mid-size U.S. government contractors with specialized capabilities. Because of the diverse requirements of U.S. government customers and the highly competitive nature of large procurements, we frequently collaborate with these and other companies to compete for large contracts and bid against these companies in other situations. Increasingly, cost has become the principal method of competition on many procurements (rather than technical superiority).

Company Information Available on the Internet

Our Internet address is www.mantech.com. Through links on the Investor Relations section of our website, we make available, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (SEC).

Item 1A. Risk Factors

Forward-Looking and Cautionary Statements

Set forth below are the risks that we believe are material to investors who purchase our common stock. You should carefully consider the following risks together with the other information contained in or incorporated by reference into this Annual Report on Form 10-K, including our consolidated financial statements and notes thereto. The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us, or those we currently deem to be immaterial, may also materially and adversely affect our business, financial condition or results of operations. This section contains forward-looking statements. You should refer to the explanation of the qualification and limitations of forward-looking statements set forth at the beginning of this Annual Report.

Risks Related to Our Business

We depend on contracts with the U.S. federal government for substantially all of our revenues. If our relationships with the federal government were harmed, our business, future revenues and growth prospects could be adversely affected.

We derive the vast majority of our revenues from our federal government customers. We expect that federal government contracts will continue to be the primary source of our revenues for the foreseeable future. Our business, prospects, financial condition or operating results could be materially harmed if:

- We are suspended or debarred from contracting with the federal government or a significant government agency;

- Our reputation or relationship with government agencies is impaired; or

- The government ceases to do business with us, or significantly decreases the amount of business it does with us.

Among the key factors in maintaining our relationships with federal government agencies are our performance on individual contracts and task orders, the strength of our professional reputation and the relationships of our senior management with our customers.

Federal government spending levels for programs we support may change or be delayed in a manner that adversely affects our future results and limits our growth prospects.

Our business depends upon continued federal government expenditures on intelligence, defense and other programs that we support. These expenditures have not remained constant over time. Over the last couple years, in the face of growing national debt and long-term fiscal challenges facing the nation, spending levels for federal government programs generally, and in particular the U.S. defense budget, have come under pressure. Federal budget constraints may affect future levels or timing of expenditures, place pressure on operating margins in our industry, and shift expenditures to programs in areas where we do not currently provide services, thereby adversely impacting our future results of operations. A reduction in the amount of services that we are contracted to provide, or incorporation of less favorable terms in existing or future contracts, could cause an adverse impact on our business and future results of operations.

The failure by Congress to approve budgets on a timely basis for the federal agencies we support could delay procurement of our services and solutions and cause us to lose future revenues.

On an annual basis, Congress must approve budgets that govern spending by the federal agencies that we support. In years when Congress is not able to complete its budget process before the end of the federal government's fiscal year on September 30, Congress typically funds government operations pursuant to a continuing resolution. A continuing resolution allows federal government agencies to operate at spending levels approved in the previous budget cycle. When the U.S. government operates under a continuing resolution, it may delay funding we expect to receive from customers on work we are already performing and will likely result in new initiatives being delayed or in some cases canceled. The federal government's failure to complete its budget process, or to fund government operations pursuant to a continuing resolution, may result in a federal government shutdown, such as that which occurred during the 2013 fiscal year.

The competitive bidding process can impose substantial constraints and costs upon us and we may lose revenues, or our earnings and profitability may be adversely impacted, if we fail to compete effectively, if we are required to reduce our price in order to compete effectively, or if there are delays caused by protests or challenges of contract awards.

We derive significant revenues from federal government contracts that are awarded through a competitive bidding process. We expect that a significant portion of our future business will continue to be awarded through competitive bidding. Competitive bidding presents a number of risks, including:

- Incurring expense and delays due to competitor's protest or challenge of contract awards made to us, including the risk that any such protest or challenge could result in the resubmission of bids on modified specifications, or in the termination, reduction or modification of the awarded contract, which may result in reduced profitability;

- Changes to customer bidding practices or government reform of its procurement practices, which may alter the prescribed contract requirements relating to contract vehicles, contract types and consolidations;

- Changes in policy and goals by the government providing set-aside funds to small business, disadvantaged businesses and other socio-economic requirements in the allocation of contracts;

- Spending substantial cost and managerial time and effort to prepare bids and proposals for contracts that may not be awarded to us, which may result in reduced profitability;

- Failing to accurately estimate the resources and cost structure that will be required to service any contract we are awarded; and

- Bidding on programs in advance of the completion of their design, which may result in unforeseen difficulties in execution, cost overruns, or, in the case of unsuccessful competition, the loss of committed costs.

Additionally, many of our customers have increasingly focused on cost as a key component of the procurement evaluation process. This focus has increased competitive pricing pressures and resulted in a reduction to the profits we expect to earn on our federal government contracts. Specifically, the use by the federal government of a lowest price/technically acceptable standard for contract awards, may require us to decrease the margin by which we expect our bid price to exceed our costs.

If we are unable to win particular contracts that are awarded through the competitive bidding process, in addition to the risk that our operating results may be adversely affected, we may be unable to operate in the market for services that are provided under those contracts for a number of years.

Our earnings and profitability may be adversely affected if we do not accurately estimate the expenses, time and resources necessary to satisfy some of our contractual obligations.

We enter into three types of federal government contracts for our services: cost-reimbursable, time-and-materials and fixed-price. Our customers have increasingly procured our services under cost-reimbursable contracts, which tend to offer lower margin opportunities than other contract types. For our last three fiscal years, we derived revenues from such contracts as follows:

	Year Ended December 31,					
	2013		2012		2011	
Cost-reimbursable	72.3	%	51.0	%	33.6	%
Fixed-price	16.8	%	16.2	%	15.9	%
Time-and-materials	10.9	%	32.8	%	50.5	%
Total	100.0	%	100.0	%	100.0	%

Each of these types of contracts, to varying degrees, involves some risk that we could underestimate our cost of fulfilling the contract, which may reduce the profit we earn or lead to a financial loss on the contract.

- Under cost-reimbursable contracts, we are reimbursed for allowable costs and paid a fee, which may be fixed or performance-based. To the extent that the actual costs incurred in performing a cost-reimbursable contract are within the contract ceiling and allowable under the terms of the contract and applicable regulations, we are entitled to reimbursement of our costs, plus a profit. However, if our costs exceed the ceiling or are not allowable under the terms of the contract or applicable regulations, we may not be able to recover those costs. In particular, there is increasing focus by the federal government on the extent to which contractors are able to receive reimbursement for employee compensation.

- Under fixed-price contracts, we perform specific tasks for a fixed price. Compared to cost-plus contracts, fixed-price contracts generally offer higher margin opportunities, but involve greater financial risk because we bear the impact of cost overruns, which could result in increased costs and expenses. Because we assume such risk, an increase in the percentage of fixed-price contracts in our contract mix, whether caused by a shift by the federal government toward a preference for fixed-price contracts or otherwise, could increase the risk that we suffer losses if we underestimate the level of effort required to perform the contractual obligations.

- Under time-and-material contracts, we are reimbursed for labor at negotiated hourly billing rates and for certain expenses. We assume financial risk on time-and-material contracts because we assume the risk of performing those contracts at negotiated hourly rates.

Our profits could be adversely affected if our costs under any of these contracts exceed the assumptions we used in bidding for the contract.

Many of our federal government customers execute their procurement budgets through multiple award contracts under which we are required to compete for post-award orders, or for which we may not be eligible to compete, potentially limiting our ability to win new contracts and increase revenues.

Budgetary pressures and reforms in the procurement process have caused many U.S. federal government customers to purchase goods and services through multiple award ID/IQ contracts and other multiple award and/or government wide acquisition contract vehicles. These contract vehicles require that we make sustained post-award efforts to obtain task orders under the relevant contract. There can be no assurance that we will obtain revenues or otherwise sell successfully under these contract vehicles. Our failure to compete effectively in this procurement environment could harm our operating results.

Federal government contracts contain provisions giving government customers a variety of rights that are unfavorable to us, including the ability to terminate a contract at any time for convenience.

Federal government contracts contain provisions and are subject to laws and regulations that give the government rights and remedies not typically found in commercial contracts. These provisions may allow the government to:

- Terminate existing contracts for convenience, as well as for default;
- Reduce orders under, or otherwise modify contracts or subcontracts;
- Cancel multi-year contracts and related orders if funds for contract performance for any subsequent year become unavailable;
- Decline to exercise an option to renew multi-year contracts or issue task orders in connection with multiple award contracts;
- Suspend or debar us from doing business with the federal government or with a government agency;
- Prohibit future procurement awards with a particular agency as a result of a finding of an organizational conflict of interest based upon prior related work performed for the agency that would give a contractor an unfair advantage over competing contractors;
- Subject the award of contracts to protest by competitors, which may require the contracting federal agency or department to suspend our performance pending the outcome of the protest and may also result in a requirement to resubmit offers for the contract or in the termination, reduction or modification of the awarded contract;
- Terminate our facility security clearances and thereby prevent us from receiving classified contracts;
- Claim rights in products and systems produced by us; and
- Control or prohibit the export of our products and services.

If the government terminates a contract for convenience, we may recover only our incurred or committed costs, settlement expenses and profit on work completed prior to the termination. If the government terminates a contract for default, we may not even recover those amounts and instead may be liable for excess costs incurred by the government in procuring undelivered items and services from another source. If one of our government customers were to unexpectedly terminate, cancel or decline to exercise an option to renew one or more of our significant contracts or programs, our revenues and operating results would be materially harmed.

We may not receive the full amount authorized under our contracts and we may not accurately estimate our backlog, which could adversely affect our future revenues and growth prospects.

As of December 31, 2013, our backlog was $3.9 billion, of which $1.1 billion was funded. Backlog is our estimate of the remaining future revenues from existing signed contracts, assuming the exercise of all options relating to such contracts and including executed task orders issued under ID/IQ contracts. Backlog also includes estimates of revenues for solutions that we believe we will be asked to provide in the future under the terms of ID/IQ contracts for which we have an established pattern of revenues. Our estimates are based on our experience using such vehicles and similar contracts; however, we cannot assure that all, or any, of such estimated contract revenues will be recognized as revenues.

Historically, we have not realized all of the revenue included in our total backlog, and we may not realize all of the revenue included in our total backlog in the future. There is a somewhat higher degree of risk in this regard with respect to unfunded backlog, since it contains management's estimate of amounts expected to be realized on unfunded contract work that may never be realized as revenues. In addition, there can be no assurance that our backlog will result in actual revenue in any particular period, or at all, because the actual receipt, timing and amount of revenue under contracts included in backlog are subject to numerous uncertainties, many of which are beyond our control. Furthermore, the actual receipt of revenue from contracts included in backlog may never occur or may be delayed because: a program schedule could change or the program could be canceled; a contract's funding or scope could be reduced, modified, delayed or terminated early, including as a result of a lack of appropriated funds or as a result of cost cutting initiatives and other efforts to reduce federal government spending. For example, during the second half of 2013, as a result of changing mission priorities on OCO programs that we support, our ability to recognize revenue on contracts that were included in backlog was adversely affected. If we fail to realize as revenues those amounts included in our backlog, our future revenues and growth prospects may be adversely affected.

We face aggressive competition that can impact our ability to obtain contracts and therefore affect our future revenues and growth prospects.

We operate in highly competitive markets and generally encounter intense competition to win contracts. We compete with larger companies that have greater name recognition, financial resources and larger technical staffs. We also compete with smaller, more specialized companies that are able to concentrate their resources on particular areas. To remain competitive, we must provide superior service and performance on a cost-effective basis to our customers. Our competitors may be able to provide our customers with different or greater capabilities or better contract terms than we can provide, including technical qualifications, past contract experience, geographic presence, price and the availability of qualified professional personnel. In particular, increased efforts by our competitors to meet federal government requirements for efficiency and cost reduction may necessitate that we become more competitive with respect to price, and thereby potentially reduce our profit margins, in order to win or maintain contracts. In addition, our competitors may consolidate or establish teaming or other relationships among themselves or with third parties to increase their ability to address customers' needs.

Acquisitions could result in operating difficulties, dilution or other adverse consequences to our business.

One of our key operating strategies is to selectively pursue acquisitions. We have made a number of acquisitions in the past and we expect that a portion of our future revenues will continue to come from such transactions. We evaluate potential acquisitions on an ongoing basis. Our acquisitions strategy poses many risks, including:

- As a result of an acquisition, we may need to record write-downs from future impairments of intangible assets, which could reduce our future reported earnings;

- We may not be able to identify suitable acquisition candidates at prices we consider attractive;

- We may not be able to compete successfully for identified acquisition candidates, complete future acquisitions or accurately estimate the financial effect of acquisitions on our business;

- Future acquisitions may require us to issue common stock or spend significant cash, resulting in dilution of ownership or additional leverage;

- We may have difficulty retaining an acquired company's key employees or customers;

- We may have difficulty integrating acquired businesses, resulting in unforeseen difficulties, such as incompatible accounting, information management or other control systems; and

- Acquisitions may disrupt our business or distract our management from other responsibilities.

In connection with any acquisition that we make, there may be liabilities that we fail to discover or that we inadequately assess. Acquired entities may not operate profitably or result in improved operating performance. Additionally, we may not realize anticipated synergies. If our acquisitions perform poorly, our business and financial results could be adversely affected.

We have substantial investments in recorded goodwill and changes in future business conditions could cause these investments to become impaired, requiring substantial write-downs that would reduce our operating income and impact our financial position.

As of December 31, 2013, our goodwill was $752.9 million. The amount of our recorded goodwill may substantially increase in the future as a result of any acquisitions that we make. We evaluate the recoverability of recorded goodwill amounts annually, or when evidence of potential impairment exists. Impairment analysis is based on several factors requiring judgment and the use of estimates, which are inherently uncertain and based on assumptions that may prove to be inaccurate. Additionally, material changes in our financial outlook, as well as events outside of our control, such as deteriorating market conditions for companies in our industry, may indicate a potential impairment. When there is an impairment, we are required to write down the recorded amount of goodwill, which is reflected as a charge against operating income. During the fourth quarter of 2013, we determined that indicators of an impairment existed in one of our business units. As a result we conducted an interim goodwill impairment analysis and have recorded a non-cash goodwill impairment charge of $118.4 million for the period ending December 31, 2013.

If we fail to comply with complex procurement laws and regulations, we could lose business and be liable for various penalties or sanctions.

We must comply with laws and regulations relating to the formation, administration and performance of federal government contracts. These laws and regulations affect how we conduct business with our federal government customers. In complying with these laws and regulations, we may incur additional costs. Non-compliance could result in the imposition of fines and penalties, including contractual damages. Among the more significant laws and regulations affecting our business are the following:

- The Federal Acquisition Regulation, which comprehensively regulates the formation, administration and performance of federal government contracts;

- The Truth in Negotiations Act, which requires certification and disclosure of all cost and pricing data in connection with contract negotiations;

- The Cost Accounting Standards and Cost Principles, which impose accounting requirements that govern our right to reimbursement under certain cost-based federal government contracts;

- Laws, regulations and executive orders restricting the use and dissemination of information classified for national security purposes and the export of certain products, services and technical data;

- U.S. export controls, which apply when we engage in international work; and

- The Foreign Corrupt Practices Act.

Failure to comply with these laws and regulations can lead to severe penalties, both civil and criminal, and can include debarment from contracting with the U.S. government.

Our contracting agency customers periodically review our compliance with procurement laws and regulations, as well as our performance under the terms of our federal government contracts. If a government review or investigation uncovers improper or illegal activities, we may be subject to civil or criminal penalties or administrative sanctions, including:

- Termination of contracts;

- Forfeiture of profits;

- Cost associated with triggering of price reduction clauses;

- Suspension of payments;

- Fines; and

- Suspension or debarment from doing business with federal government agencies.

Additionally, the civil False Claims Act provides for potentially substantial civil penalties where, for example, a contractor presents a false or fraudulent claim to the government for payment or approval. Actions under the civil False Claims Act may be brought by the government or by other persons on behalf of the government (who may then share a portion of any recovery).

If we fail to comply with these laws and regulations, we may also suffer harm to our reputation, which could impair our ability to win awards of contracts in the future or receive renewals of existing contracts. If we are subject to civil and criminal penalties and administrative sanctions or suffer harm to our reputation, our current business, future prospects, financial condition or operating results could be materially harmed.

The federal government may change its procurement or other practices in a manner adverse to us.

The federal government may change its procurement practices or adopt new contracting laws, rules or regulations. Any such change could potentially place greater pressure on our profit margins, and could materially harm our operating results. Additionally, aspects of the federal government's procurement system, such as the number of acquisition personnel available to support the workload imposed by an increasing number of protests, could exacerbate delays in the procurement decision making process, thus delaying our ability to generate revenues from proposals and awards. The federal government could also adopt new socio-economic requirements or policies favoring small businesses or disadvantaged firms, which could reduce our revenue opportunities. Any new contracting methods could be costly or administratively difficult for us to satisfy and, as a result, could cause actual results to differ materially and adversely from those anticipated.

Failure to maintain strong relationships with other contractors could result in a decline in our revenues.

For the years ended December 31, 2013 and 2012, we derived 8.8% and 10.1% of our revenues, respectively, from contracts in which we acted as a subcontractor to other contractors. Additionally, where we are named as a prime contractor, we may sometimes enlist other companies to perform some services under the contract as subcontractors. We expect to continue to depend on such relationships with other contractors for a portion of our revenues for the foreseeable future. Our business, prospects, financial condition or operating results could be harmed if other contractors eliminate or reduce their contracts or joint venture relationships with us because they choose to establish relationships with our competitors; they choose to directly offer services that compete with our business; we choose to directly compete with them for services; the government terminates or reduces these other contractors' programs; or the government does not award them new contracts.

Unfavorable federal government audits or results of other investigations could subject us to penalties or sanctions, adversely affect our profitability, harm our reputation and relationships with our customers or impair our ability to win new contracts.

The Defense Contract Audit Agency (DCAA) and other government agencies routinely audit and investigate government contracts and contractor systems. These agencies review a contractor's performance on its contract, cost structure and compliance with applicable laws, regulations and standards. The DCAA also reviews the adequacy of, and a contractor's compliance with, its internal control systems and policies, including the contractor's accounting, purchasing, estimating, compensation and management information systems. Allegations of impropriety or deficient controls could harm our reputation or influence the award of new contracts. Any costs found to be improperly allocated to a specific contract will not be reimbursed, while such costs already reimbursed must be refunded. In recent years, U.S. government contractors have faced increased scrutiny by the DCAA and other U.S. government agencies. For example, among other matters, the DCAA has begun to focus on the strict adherence by technology support contractors to labor qualification requirements contained in the terms of federal government contracts that we support. If any of our internal control systems or policies is found non-compliant or inadequate, payments may be withheld or suspended under our contracts or we may be subjected to increased government scrutiny and approval requirements that could delay or adversely affect our ability to invoice and receive timely payment on our contracts, perform contracts or compete for contracts with the U.S. government. As a result, a DCAA audit could materially affect our competitive position and result in a substantial adjustment to our revenues. DCAA has completed our incurred cost audits through 2005, with no material adjustments. While we believe that the vast majority of incurred costs will be approved upon final audit, we do not know the outcome of any future audits and adjustments and, if any future audit adjustments exceed our estimates, our profitability could be adversely affected.

U.S. government contractors are subject to a greater risk of investigation, criminal prosecution, civil fraud, whistleblower lawsuits and other legal actions and liabilities than companies with solely commercial customers. In addition to increased investigation by the DCAA, contractors that provide support services to U.S. forces in Southwest Asia have come under increasing scrutiny by agency inspectors general, other government auditors and congressional committees. If a government audit or other investigation uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or debarment from doing business with federal government agencies. More generally, increased scrutiny and investigation into business practices and into major programs supported by contractors may lead to increased legal costs and may harm our reputation and profitability if we are among the targeted companies, regardless of the underlying merit of the allegations being investigated.

Internal system or service failures, including those resulting from cyber or other security threats, could disrupt our business and impair our ability to effectively provide our services to our customers, which could damage our reputation and have a material adverse effect on our business and results of operations.

We create, implement and maintain information technology and engineering systems, and provide services that are often critical to our customers' operations, some of which involve classified or other sensitive information in intelligence, national security and other classified or sensitive customer functions. As a result, we are subject to systems or service failures, not only resulting from our own failures or the failures of third-party service providers, natural disasters, power shortages or terrorist attacks, but also from continuous exposure to cyber and other security threats, including computer viruses, attacks by computer hackers or physical break-ins. In particular, as a U.S. government contractor, we face a heightened risk of a security breach or disruption with respect to classified or other sensitive information resulting from an attack by computer hackers, foreign governments or cyber terrorists. Many government contractors have been the target of these types of attacks in the past and future attacks are likely to occur. If successful, these types of attacks on our network or other systems or service failures could have a material adverse effect on our business and results of operations, due to, among other things, the loss of customer or proprietary data, interruptions or delays in our customers' businesses and damage to our reputation. In addition, the failure or disruption of our systems, communications or utilities could cause us to interrupt or suspend our operations, which could have a material adverse effect on our business and results of operations.

If our systems, services or other applications have significant defects or errors, are successfully attacked by cyber and other security threats, suffer delivery delays or otherwise fail to meet our customers' expectations, we may:

- lose revenue due to adverse customer reaction;
- be required to provide additional services to a customer at no charge;
- incur additional costs related to monitoring and increasing our cyber security;
- lose revenue due to the deployment of internal staff for remediation efforts instead of customer assignments;
- receive negative publicity, which could damage our reputation and adversely affect our ability to attract or retain customers;
- be unable to successfully market services that are reliant on the creation and maintenance of secure information technology systems to U.S. government, international and commercial customers;
- suffer claims for substantial damages, particularly as a result of any successful network or systems breach and exfiltration of customer information; or
- incur significant costs complying with applicable federal or state law, including laws governing protection of personal information.

In addition to any costs resulting from contract performance or required corrective action, these failures may result in increased costs or loss of revenues if they result in customers postponing subsequently scheduled work or canceling or failing to renew contracts.

Our errors and omissions insurance coverage may not continue to be available on reasonable terms or in sufficient amounts to cover one or more large claims or the insurer may disclaim coverage as to some types of future claims. The successful assertion of any large claim against us could seriously harm our business. Even if not successful, these claims could result in significant legal and other costs, may be a distraction to our management and may harm our customer relationships.

Security breaches in customer systems could adversely affect our business.

Many of the programs we support and systems we develop, install and maintain involve managing and protecting information involved in intelligence, national security and other classified or sensitive customer functions. While we have programs designed to comply with relevant security laws, regulations and restrictions, a security breach in one of these systems could cause serious harm to our business, damage our reputation and prevent us from being eligible for further work on critical systems for our current customers or for other federal government customers generally. Losses that we could incur from such a security breach could exceed the policy limits that we have for errors and omissions and product liability insurance coverage. Damage to our reputation or limitations on our eligibility for additional work resulting from a security breach in one of the systems we develop, install and maintain could materially reduce our revenues.

If we fail to recruit and retain skilled employees or employees with the necessary skill sets or security clearances, we might not be able to perform under our contracts or win new business and our growth may be limited.

To be competitive, we must have employees who have advanced information technology and technical services skills and who work well with our customers in a government or defense-related environment. Often, these employees must have some of the highest security clearances in the United States. These employees are in great demand and are likely to remain a limited resource in the foreseeable future. Recruiting, training and retention costs can place significant demands on our resources. If we are unable to recruit and retain a sufficient number of these employees, our ability to maintain and grow our business could be negatively impacted. If we are required to engage larger numbers of contracted personnel, our profit margins could be adversely affected. In addition, some of our contracts contain provisions requiring us to commit to staff a program with certain personnel the customer considers key to our successful performance under the contract. In the event we are unable to provide these key personnel or acceptable substitutions, the customer may terminate the contract and we may not be able to recover certain incurred costs.

Our business depends upon obtaining and maintaining required security clearances.

Many of our federal government contracts require our employees to maintain various levels of security clearances and we are required to maintain certain facility security clearances complying with the Department of Defense and intelligence community requirements. Obtaining and maintaining security clearances for employees involves a lengthy process and it is difficult to identify, recruit and retain employees who already hold security clearances. If our employees are unable to obtain or retain security clearances or if our employees who hold security clearances terminate employment with us, the customer whose work requires cleared employees could terminate the contract or decide not to renew it upon its expiration. In addition, we expect that many of the contracts on which we will bid will require us to demonstrate our ability to obtain facility security clearances and perform work with employees who hold specified types of security clearances. To the extent we are not able to obtain facility security clearances or engage employees with the required security clearances for a particular contract, we may not be able to bid on or win new contracts, or effectively re-bid on expiring contracts.

Covenants in the instruments governing our indebtedness may restrict our financial and operating flexibility.

We maintain a credit agreement with a syndicate of lenders led by Bank of America, N.A., as administrative agent. The credit agreement provides for a $500.0 million revolving credit facility. The maturity date for the credit agreement is October 12, 2016. The terms of the credit agreement permit prepayment and termination at any time, subject to certain conditions. The credit agreement requires the Company to comply with specified financial covenants, including the maintenance of certain consolidated total leverage ratios and a certain fixed charge coverage ratio. The credit agreement also contains various covenants, including affirmative covenants with respect to certain reporting requirements and maintaining certain business activities, and negative covenants that, among other things, may limit or impose restriction on ability to incur liens, incur additional indebtedness, make investments, make acquisitions and undertake certain other actions.

We have $200.0 million in aggregate principal amount of 7.25% senior unsecured notes due April 15, 2018. These 7.25% senior unsecured notes were issued at 100% of the aggregate principal amount and are effectively subordinate to our existing and future senior secured debt (to the extent of the value of the assets securing such debt), including any debt outstanding under our revolving credit facility. We have determined that we will redeem these notes in April 2014 in accordance with their terms. Until the redemption of the notes, the indenture governing these notes contains customary events of default, as well as restrictive covenants, which may limit our ability to: pay dividends and distributions; repurchase equity; prepay subordinated debt or make certain investments; incur additional debt or issue certain disqualified stock and preferred stock; incur liens on assets; merge or consolidate with another company or sell all or substantially all assets; and allow to exist certain control provisions.

As a result of such covenants and restrictions in the instruments governing our indebtedness, we will be limited in how we conduct our business and we may be unable to raise additional debt or equity financing to take advantage of new business opportunities. In addition, our ability to satisfy the financial ratios required by our instruments of indebtedness can be affected by events beyond our control and we cannot assure you that we will meet these ratios. We cannot assure you that we will be able to maintain compliance with these covenants in the future and, if we fail to do so, we may be in default under our revolving credit facility or the indenture, and we may be prohibited from undertaking actions that are necessary or desirable to maintain and expand our business.

Default under our revolving credit facility could allow the lenders to declare all amounts outstanding to be immediately due and payable. We have pledged substantially all of our assets to secure the debt under our revolving credit facility. If the lenders declare amounts outstanding under the revolving credit facility to be due, the lenders could proceed against those assets. Any event of default, therefore, could have a material adverse effect on our business if the creditors determine to exercise their rights.

Default under the indenture governing our 7.25% senior unsecured notes will allow either the trustee or the holders of at least 25% in principal amount of the then outstanding 7.25% senior unsecured notes to accelerate, or in certain cases, will automatically cause the acceleration of, the amounts due under the 7.25% senior unsecured notes. Any event of default, therefore, could have a material adverse effect on our business if the amounts due are accelerated.

Our level of indebtedness could materially adversely affect our ability to generate sufficient cash to fulfill our obligations under our outstanding indebtedness, our ability to react to changes in our business and our ability to incur additional indebtedness to fund future needs.

Our level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay, when due, the principal of, interest on or other amounts due in respect of our indebtedness. Our indebtedness, combined with our other financial obligations and contractual commitments, could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness and any failure to comply with the obligations under any of our debt instruments, including restrictive covenants, could result in an event of default under the indenture governing the notes, our revolving credit facility or any agreements governing other indebtedness;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing funds available for working capital, capital expenditures, acquisitions, research and development and other corporate purposes;
- increase our vulnerability to adverse economic and industry conditions, which could place us at a competitive disadvantage compared to competitors that have relatively less indebtedness;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- limit our ability to borrow additional funds, or to dispose of assets to raise funds, if needed, for working capital, capital expenditures, acquisitions, research and development and other corporate purposes.

Subject to the restrictions in our revolving credit facility and the indenture governing our senior notes, we may incur significant additional indebtedness. If we incur a substantial amount of additional indebtedness, the related risks that we face could become more significant. Additionally, the terms of any future debt that we may incur may impose requirements or restrictions that further affect our financial and operating flexibility or subject us to other events of default.

If our subcontractors or joint venture partners fail to perform their contractual obligations, our performance and reputation as a prime contractor and our ability to obtain future business could suffer.

As a prime contractor, we often rely significantly upon other companies as subcontractors to perform work we are obligated to perform for our customers. If one or more of our subcontractors fail to perform satisfactorily the agreed-upon services on a timely basis, or violate government contracting policies, laws or regulations, our ability to perform our obligations or meet our customers' expectations as a prime contractor may be compromised. In some cases, we have limited involvement in the work performed by the subcontractors but are nevertheless responsible for such work. In extreme cases, performance or other deficiencies on the part of our subcontractors could result in a customer terminating our contract for default. A termination for default could expose us to a liability for the agency's costs of reprocurement, damage our reputation and hurt our ability to compete for future contracts and task orders.

Additionally, we often enter into joint ventures so that we can jointly bid and perform on a particular project. The success of these and other joint ventures depends, in large part, on the satisfactory performance of the contractual obligations by our joint venture partners. If our partners do not meet their obligations, the joint ventures may be unable to adequately perform and deliver their contracted services. Under these circumstances, we may be required to make additional investments and provide additional services to ensure the adequate performance and delivery of the contracted services. These additional obligations could result in reduced profits or, in some cases, significant losses for us with respect to the joint venture, which could also affect our reputation in the industries we serve.

Our overall profit margins on our contracts may decrease and our results of operations could be adversely affected if materials and subcontract revenues grow at a faster rate than labor-related revenues.

Our revenues are generated both from the efforts of our employees (labor-related revenues) and from the receipt of payments for the cost of materials and subcontracts we use in connection with performing our services (materials and subcontract revenues). Generally, our materials and subcontract revenues have lower profit margins than our labor-related revenues. If our materials and subcontract revenues grow at a faster rate than labor-related revenues, our overall profit margins may decrease and our profitability could be adversely affected.

Our business operations involve considerable risks and hazards. An accident or incident involving our employees or third parties could harm our reputation, affect our ability to compete for business, and if not adequately insured or indemnified, could adversely affect our results of operations and financial condition.

Our business involves providing services that require some of our employees to operate in countries that may be experiencing political unrest, war or terrorism. As a result, during the course of such deployments we are exposed to liabilities arising from accidents or incidents involving our employees or third parties. Any of these types of accidents or incidents could involve significant potential injury or other claims by employees and/or third parties. It is also possible that we will encounter unexpected costs in connection with additional risks inherent in sending our employees to dangerous locations, such as increased insurance costs, as well as the repatriation of our employees or executives for reasons beyond our control.

We maintain insurance policies that mitigate risk and potential liabilities related to our operations. Our insurance coverage may not be adequate to cover those claims or liabilities, and we may be forced to bear substantial costs from an accident or incident. Substantial claims in excess of our related insurance coverage could adversely affect our operating performance and may result in additional expenses and possible loss of revenues.

Furthermore, any accident or incident for which we are liable, even if fully insured, may result in negative publicity that could adversely affect our reputation among our customers and the public, which could result in us losing existing and future contracts or make it more difficult to compete effectively for future contracts. This could adversely affect our operating performance and may result in additional expenses and possible loss of revenues.

Our employees or subcontractors may engage in misconduct or other improper activities, which could cause us to lose customers or affect our ability to contract with the federal government.

Because we are a government contractor, should an employee or subcontractor commit fraud or should other misconduct occur, such occurrences could have an adverse impact on our business and reputation. Misconduct by employees, subcontractors or joint venture partners could involve intentional failures to comply with federal laws including: federal government procurement regulations; requirements for handling of sensitive or classified information; the terms of our contracts; or proper time-keeping practices. These actions could lead to civil, criminal and/or administrative penalties (including fines, imprisonment, suspension and/or debarment from performing federal government contracts) and harm our reputation. The precautions we take to prevent and detect such activity may not be effective in controlling unknown or unmanaged risks or losses.

We face risks associated with our international business.

Our business operations are subject to a variety of risks associated with conducting business internationally, including:

- Changes in or interpretations of foreign laws or policies that may adversely affect the performance of our services;

- Political instability in foreign countries;
- Imposition of inconsistent laws or regulations;
- Conducting business in places where laws, business practices and customs are unfamiliar or unknown;
- Imposition of limitations on or increase of withholding and other taxes on payments by foreign subsidiaries or joint ventures; and
- Compliance with a variety of U.S. laws, including the Foreign Corrupt Practices Act and U.S. export control regulations, by us or subcontractors.

Although such risks have not significantly impacted our business to date, we do not know the impact that these regulatory, geopolitical and other factors could have on our business in the future.

Risks Related to Our Stock

Our quarterly operating results may fluctuate.

Our quarterly revenues and operating results may fluctuate as a result of a number of factors, many of which are outside of our control. For these reasons, comparing our operating results on a period-to-period basis may be of limited significance in some cases, and as such, you should not rely on our past results as an indication of our future performance. While our financial results may be negatively affected by any of the risk factors identified in this section of our Form 10-K, a number of factors could cause our revenues, cash flows and operating results to vary from quarter-to-quarter, including:

- Timing of award or performance incentive fee notices;
- Fluctuations in revenues earned on fixed-price contracts and contracts with a performance-based fee structure;
- Commencement, completion or termination of contracts during any particular quarter;
- Reallocation of funds to customers due to priority;
- Timing of significant bid and proposal costs;
- Variable purchasing patterns under government contracts, blanket purchase agreements and ID/IQ contracts;
- Seasonal or quarterly fluctuations in our workdays and staff utilization rates;
- Strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs and joint ventures;
- Changes in Presidential administrations and senior federal government officials that affect the timing of technology procurement;
- Changes in federal government policy or budgetary measures that adversely affect government contracts in general; and
- Changes in the volume of purchase requests from customers for equipment and materials.

Because a relatively large amount of our expenses are fixed, cash flows from our operations may vary significantly as a result of changes in the volume of services provided under existing contracts and the number of contracts that are commenced, completed or terminated during any quarter. We incur significant operating expenses during the start-up and early stages of large contracts and typically we do not receive corresponding payments in that same quarter. We may also incur significant or unanticipated expenses when a contract expires, terminates or is not renewed.

We may change our dividend policy in the future.

The Company has maintained a regular cash dividend program since 2011. We anticipate paying quarterly dividends for 2014 pursuant to such program. However, any future payment of dividends, including the timing and amount of any such dividends, will be at the discretion of our Board of Directors and will depend upon our earnings, liquidity, financial condition and such other factors as our Board of Directors considers relevant. A change in our dividend policy could have an adverse effect on the market price of our common stock.

Mr. Pedersen, our Chairman and Chief Executive Officer, effectively controls our Company, and his interests may not be aligned with those of other stockholders.

As of December 31, 2013, Mr. Pedersen owned approximately 36% of our total outstanding shares of common stock. Holders of our Class B common stock are entitled to ten votes per share, while holders of our Class A common stock are entitled to only one vote per share. Mr. Pedersen beneficially owned 13,192,845 shares of Class B common stock as of December 31, 2013, thus he controlled approximately 85% of the combined voting power of our stock as of December 31, 2013. Accordingly, Mr. Pedersen controls the vote on all matters submitted to a vote of our stockholders. As long as Mr. Pedersen beneficially owns a majority of the combined voting power of our common stock, he will have the ability, without the consent of our public stockholders, to elect all members of our Board of Directors and to control our management and affairs.

Mr. Pedersen's voting control may have the effect of preventing or discouraging transactions involving an actual or a potential change of control of the Company, regardless of whether a premium is offered over then-current market prices. Mr. Pedersen will be able to cause a change of control of the Company. Mr. Pedersen's voting control could adversely affect the trading price of our common stock if investors perceive disadvantages in owning stock in a company with such concentrated ownership.

Mr. Pedersen could also cause a registration statement to be filed and to become effective under the Securities Act of 1933, thereby permitting him to freely sell or transfer the shares of common stock that he owns, which could have an impact on the trading price of our stock.

Provisions in our charter documents and Delaware law may inhibit potential acquisition bids that you and other stockholders may consider favorable, and the market price of our Class A common stock may be lower as a result.

There are provisions in our certificate of incorporation and bylaws that make it more difficult for a third party to acquire, or attempt to acquire, control of our Company, even if a change of control were considered favorable by you and other stockholders. Among the provisions that could have an anti-takeover effect, are provisions relating to the following:

- The high vote nature of our Class B common stock;

- The ability of the Board of Directors to issue preferred stock;

- The inability of stockholders to take action by written consent; and

- The advance notice requirements for director nominations or other proposals submitted by our stockholders.

Item 1B. Unresolved SEC Staff Comments

We have not received any written comments from the SEC staff regarding our periodic or current reports under the Exchange Act that remain unresolved.

Item 2. Properties

We lease our facilities, including offices, warehouses and labs, and we do not own any facilities or real estate materially important to our operations. Our facilities are leased in close proximity to our customers. As of December 31, 2013, we leased 23 facilities throughout the metropolitan Washington, D.C. area and 49 facilities in other parts of the United States, for approximately 1,500,000 square feet. We also have employees working at customer sites throughout the United States and in other countries. Our leases expire between 2014 and 2022.

We believe our current facilities are adequate to meet our current needs. We do not anticipate any significant difficulty in renewing our leases or finding alternative space to lease upon the expiration of our leases and to support our future growth.

Item 3. Legal Proceedings

We are subject to certain legal proceedings, government audits, investigations, claims and disputes that arise in the ordinary course of our business. Like most large government defense contractors, our contract costs are audited and reviewed on a continual basis by an in-house staff of auditors from the DCAA. In addition to these routine audits, we are subject from time-to-time to audits and investigations by other agencies of the federal government. These audits and investigations are conducted to determine if our performance and administration of our government contracts are compliant with contractual requirements and applicable federal statutes and regulations. An audit or investigation may result in a finding that our performance, systems and administration is compliant or, alternatively, may result in the government initiating proceedings against us or our employees, including administrative proceedings seeking repayment of monies, suspension and/or debarment from doing business with the federal government or a particular agency or civil or criminal proceedings seeking penalties and/or fines. Audits and investigations conducted by the federal government frequently span several years.

Although we cannot predict the outcome of these and other legal proceedings, investigations, claims and disputes, based on the information now available to us, we do not believe the ultimate resolution of these matters, either individually or in the aggregate, will have a material adverse effect on our business, prospects, financial condition or operating results.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our Class A common stock has been quoted on the Nasdaq Stock Market under the symbol “MANT” since our initial public offering on February 7, 2002. The following table sets forth, for the periods indicated, the high and low prices of our shares of common stock, as reported on the Nasdaq Stock Market.

2013	High	Low
First Quarter	$27.54	$23.20
Second Quarter	$28.25	$23.89
Third Quarter	$30.21	$25.53
Fourth Quarter	$30.45	$27.06

2012	High	Low
First Quarter	$37.16	$31.56
Second Quarter	$34.76	$21.12
Third Quarter	$24.75	$19.74
Fourth Quarter	$26.87	$21.58

There is no established public market for our Class B common stock.

As of February 19, 2014, there were 64 holders of record of our Class A common stock and 3 holders of record of our Class B common stock. The number of holders of record of our Class A common stock is not representative of the number of beneficial holders because many of the shares are held by depositories, brokers or nominees.

Dividend Policy

During fiscal years 2013 and 2012, we declared and paid quarterly dividends, each in the amount of $0.21 per share, on all issued and outstanding shares of common stock. For 2014, we anticipate paying quarterly dividends, each in the amount of $0.21 per share. While we expect to continue the regular cash dividend program, any future dividends declared will be at the discretion of our Board of Directors and will depend, among other factors, upon our results of operations, financial condition and cash requirements, as well as such other factors our Board or Directors deems relevant.

Recent Sales of Unregistered Securities

We did not issue or sell any securities in fiscal year 2013 that were not registered under the Securities Act of 1933. The issuance of shares to the Employee Stock Ownership Plan did not constitute sales within the meaning of the Securities Act.

Equity Compensation Plan Information

Information regarding our equity compensation plans and the securities authorized for issuance thereunder is incorporated by reference in Item 12 “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.”

Purchase of Equity Securities

The Company did not purchase equity securities during the year ended December 31, 2013.

Performance Graph

The stock performance graph compares the cumulative total shareholder return of ManTech common stock to the Nasdaq Stock Market (U.S.) Index, Standard & Poor's MidCap 400 Index, Russell 2000 Index, North American Tech Services Index and our Peer Group Index. The period measured is December 31, 2008 to December 31, 2013. The graph assumes an investment of $100 in ManTech common stock and each of the indices with reinvestment of all dividends.

The Peer Group Index consists of four companies: CACI International Inc.; Dynamics Research Corporation; NCI, Inc.; and Leidos, Inc. SEC rules require that if an index is selected that is different from the index used in the immediately preceding fiscal year, the total return must be compared to both the newly selected index and the index used in the prior year. In the past, we used a customized peer group index for this comparison. However, many of companies included in the Peer Group Index over time are no longer publicly traded companies. We believe the North American Tech Services Index is a more appropriate index to compare us with other companies in our industry. After this year, the Peer Group Index will no longer be included in the Stock Performance Graph.

Item 6. Selected Financial Data

The selected financial data presented for each of the five years ended December 31, 2013 is derived from our audited consolidated financial statements. The selected financial data presented should be read in conjunction with our consolidated financial statements, the notes to our consolidated financial statements and Item 7 “Management's Discussion and Analysis of Financial Condition and Results of Operations.”

	Year Ended December 31,				
	2013 (1)	2012	2011	2010 (2)	2009
	(in thousands, except per share amounts)				
Statement of Income and Loss Data:					
Revenues	$2,310,072	$2,582,295	$2,869,982	$2,604,038	$2,020,334
Operating income	$22,243	$170,988	$227,354	$215,140	$179,079
Net income (loss)	$(6,149)	$95,019	$133,306	$125,096	$111,764
Basic earnings (loss) per share (Class A and B)	$(0.17)	$2.57	$3.64	$3.45	$3.13
Diluted earnings (loss) per share (Class A and B)	$(0.17)	$2.57	$3.63	$3.43	$3.11
Dividend per share	$0.84	$0.84	$0.84	$—	$—
Balance Sheet Data:					
Working capital	$453,560	$357,909	$300,366	$282,496	$276,087
Goodwill (3)	$752,867	$861,912	$808,455	$729,558	$488,217
Total assets	$1,723,402	$1,841,909	$1,760,206	$1,590,477	$1,100,747
Long-term debt (4)	$200,000	$200,000	200,000	$200,000	$—

(1) Amounts include a non-cash goodwill impairment charge of $118.4 million.
(2) On January 15, 2010, we acquired Sensor Technologies Inc. (STI) for $241.4 million. STI added $518.0 million in revenues to our 2010 results.
(3) Over the past five years, we completed nine acquisitions. In aggregate, these acquisitions have added $392.6 million in goodwill. For additional information on our recent acquisitions, see Note 3 to our consolidated financial statements in Item 8.
(4) Effective April 13, 2010, we issued $200.0 million of 7.25% senior unsecured notes due 2018.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read together with the consolidated financial statements and the notes to those statements included in Item 8 “Financial Statements and Supplemental Data.” This discussion contains forward-looking statements that involve risks and uncertainties. For a description of these forward-looking statements, refer to Part I “Forward-Looking Statements.” A description of factors that could cause actual results to differ materially from the results we anticipate include, but are not limited to, those discussed in Item 1A “Risk Factors,” as well as discussed elsewhere in this Annual Report.

Overview

ManTech is a leading provider of innovative technologies and solutions for mission-critical national security programs for the intelligence community; the departments of Defense, State, Homeland Security, Energy and Justice, including the Federal Bureau of Investigation (FBI); the healthcare and space communities; and other U.S. federal government customers.

We derive revenues primarily from contracts with U.S. government agencies that are focused on national security and consequently our operational results are affected by U.S. government spending levels in the areas of defense, intelligence and homeland security. During 2013, our financial performance was adversely impacted by the same factors affecting government services providers generally; public and political pressure regarding government funding levels, combined with uncertainty about the appropriations process, caused delays in awards and spending. The U.S. government did not complete its budget process before the end of its fiscal year on September 30, 2013 and did not provide for a continuing resolution, which resulted in a federal government shutdown lasting 16 days, further impacting certain of our programs. Our customers now have approved budgets through September 30, 2014 and a solid framework for a year longer. Although the delays in procurements and cautious spending in 2013 will continue to impact our business in the short term, we believe that the recent budget clarity will allow our customers to accelerate the procurement of services. We are well positioned to meet our customers' needs and grow our business as we move through 2014 and beyond.

Revenues

Substantially all of our revenues are derived from services and solutions provided to the federal government or to prime contractors supporting the federal government, including services provided by our employees, our subcontractors and through solutions that include third-party hardware and software that we purchase and integrate as a part of our overall solutions. These requirements may vary from period-to-period depending on specific contract and customer requirements. The following table shows revenues from each type of customer as a percentage of total revenues for the periods presented.

	Year Ended December 31,					
	2013		2012		2011	
Department of Defense and intelligence agencies	95.6	%	95.4	%	96.6	%
Federal civilian agencies	3.4	%	3.8	%	2.6	%
State agencies, international agencies and commercial entities	1.0	%	0.8	%	0.8	%
Total	100.0	%	100.0	%	100.0	%

Several years ago, management decided to pursue a prime position on contracts by bidding as a prime and through the acquisition of companies holding a prime position on desired contract vehicles. As a result, our prime contract revenues as a percentage of our total revenues have increased each year since 2008. The following table shows our revenues as prime contractor and as subcontractor as a percentage of our total revenues for the following periods:

	Year Ended December 31,					
	2013		2012		2011	
Prime contractor	91.2	%	89.9	%	85.6	%
Subcontractor	8.8	%	10.1	%	14.4	%
Total	100.0	%	100.0	%	100.0	%

We provide our services and solutions under three types of contracts: cost-reimbursable; time-and-materials; and fixed-price.

Cost-reimbursable contracts-Under cost-reimbursable contracts, we are reimbursed for costs that are determined to be reasonable, allowable and allocable to the contract and paid a fee representing the profit margin negotiated between us and the contracting agency, which may be fixed or performance based. Under cost-reimbursable contracts we recognize revenues and an estimate of applicable fees earned as costs are incurred. We consider fixed fees under cost-reimbursable contracts to be earned in proportion to the allowable costs incurred in performance of the contract. For performance based fees under cost-reimbursable contracts, we recognize the relevant portion of the expected fee to be awarded by the customer at the time such fee can be reasonably estimated, based on factors such as our prior award experience and communications with the customer regarding performance, or upon customer approval.

Fixed-price contracts-Under fixed-price contracts, we perform specific tasks for a fixed price. Fixed-price contracts may include either a product delivery or specific service performance over a defined period. Revenues on fixed-price contracts that provide for the Company to render services throughout a period is recognized as earned according to contract terms as the service is provided on a proportionate performance basis. For fixed-price contracts that provide for the delivery of a specific product with related customer acceptance provisions, revenues are recognized as those products are delivered and accepted.

Time-and-materials contracts-Under time-and-materials contracts, we are reimbursed for labor at fixed hourly rates and generally reimbursed separately for allowable materials, costs and expenses at cost. We recognize revenues under time-and-materials contracts by multiplying the number of direct labor hours expended by the contract billing rates and adding the effect of other billable direct costs.

Our contract mix varies from year-to-year due to numerous factors, including our business strategies and federal government procurement objectives. Over the last few years, our customers have increasingly procured our services using cost-reimbursable contracts. The following table shows revenues from each of these types of contracts as a percentage of total revenues for the periods presented.

	Year Ended December 31,		
	2013	2012	2011
Cost-reimbursable	72.3 %	51.0 %	33.6 %
Fixed-price	16.8 %	16.2 %	15.9 %
Time-and-materials	10.9 %	32.8 %	50.5 %
Total	100.0 %	100.0 %	100.0 %

Under cost-reimbursable contracts, there is limited financial risk, because we are reimbursed for all allowable direct and indirect costs. However, profit margins on this type of contract tend to be lower than on time-and-materials and fixed-price contracts, and as a result of the shift in our contract mix, our profits have been impacted.

Cost of Services

Cost of services primarily includes direct costs incurred to provide our services and solutions to customers. The most significant portion of these costs are direct labor costs, including salaries and wages, plus associated fringe benefits of our employees directly serving customers, in addition to the related management, facilities and infrastructure costs. Cost of services also includes other direct costs, such as the costs of subcontractors and outside consultants and third-party materials, including hardware or software that we purchase and provide to the customer as part of an integrated solution.

Changes in the mix of services and equipment provided under our contracts can result in variability in our contract margins. Since we earn higher profits on our own labor services, we expect the ratio of cost of services as a percent of revenues to decline when our labor services mix increases relative to subcontracted labor or third-party materials. Conversely, as subcontracted labor or third-party material purchases for customers increase relative to our own labor services, we expect the ratio of cost of services as a percent of revenues to increase.

The proportion that costs of services bears to revenues varies in part based on our mix of revenues by contract type. In general, cost-reimbursable contracts are the least profitable of our government contracts but offer the lowest risk of loss. Under time-and-materials contracts, to the extent that our actual labor costs are higher or lower than the billing rates under the contract, our profit under the contract may either be greater or less than we anticipated or we may suffer a loss under the contract. In general, we realize a higher profit margin on work performed under time-material contracts than cost-reimbursable contracts. Fixed-price contracts generally offer higher profit margins opportunities but involve great financial risk because we bear impact of cost overruns in return for the full benefit of any cost savings.

General and Administrative Expenses

General and administrative expenses include the salaries and wages, plus associated fringe benefits of our employees not performing work directly for customers, and associated facilities costs. Among the functions covered by these costs are corporate business development, bid and proposal, contracts administration, finance and accounting, legal, corporate governance and executive and senior management. In addition, we included stock-based compensation, as well as depreciation and amortization expense related to the general and administrative function. Depreciation and amortization expenses include the depreciation of computers, furniture and other equipment, the amortization of third party software we use internally, leasehold improvements and intangible assets. Intangible assets include customer relationships and contract backlogs acquired in business combinations, and are amortized over their estimated useful lives.

Interest Expense

Interest expense is primarily related to interest expense incurred or accrued under our outstanding borrowings on our 7.25% senior secured notes and deferred financing charges.

Interest Income

Interest income is primarily from cash on hand and notes receivable.

Results of Operations

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Consolidated Statements of Income and Loss

The following table sets forth certain items from our consolidated statements of income and loss and the relative percentages that certain items of expense and earnings bear to revenues as well as the year-over-year change from December 31, 2012 to December 31, 2013.

	Year Ended December 31,				Year-to-Year Change	
	2013	2012	2013	2012	2012 to 2013	
	Dollars		Percentages		Dollars	Percent
	(dollars in thousands)					
REVENUES	$2,310,072	$2,582,295	100.0 %	100.0 %	$(272,223)	(10.5)%
Cost of services	1,995,630	2,213,894	86.4 %	85.7 %	(218,264)	(9.9)%
General and administrative expenses	173,772	197,413	7.5 %	7.7 %	(23,641)	(12.0)%
Goodwill impairment	118,427	—	5.1 %	— %	118,427	100.0 %
OPERATING INCOME	22,243	170,988	1.0 %	6.6 %	(148,745)	(87.0)%
Interest expense	(16,266)	(16,304)	0.7 %	0.6 %	38	(0.2)%
Interest income	608	344	— %	— %	264	76.7 %
Other income (expense), net	(32)	(74)	— %	— %	42	(56.8)%
INCOME FROM OPERATIONS BEFORE INCOME TAXES AND EQUITY METHOD INVESTMENTS	6,553	154,954	0.3 %	6.0 %	(148,401)	(95.8)%
Provision for income taxes	(11,842)	(59,935)	0.5 %	2.3 %	48,093	(80.2)%
Equity in losses of unconsolidated subsidiaries	(860)	—	— %	— %	(860)	(100.0)%
NET INCOME (LOSS)	$(6,149)	$95,019	0.2 %	3.7 %	$(101,168)	(106.5)%

Revenues

The primary driver of our decrease in revenue relates to reduced demand for services supporting Overseas Contingency Operations (OCO) as a result of the accelerated withdrawal of U.S. forces and reduction in military operations in Afghanistan. The reduction in our OCO related work in 2013 was primarily due to reduced demand on a sustainment contract for Mine-Resistant Ambush-Protected (MRAP) vehicles and reduced demand for field service support on C4ISR systems. These reductions were partially offset by revenue provided from contracts in the intelligence area, including contracts for IT infrastructure modernization and from growth from healthcare IT programs. We expect the continued withdrawal from Afghanistan to impact revenues from our contracts providing OCO support throughout 2014.

Cost of services

The decrease in cost of services was primarily due to reductions in revenue. As a percentage of revenues, direct labor costs increased to 37.9% for the year ended December 31, 2013, as compared to 36.1% for the same period in 2012. As a percentage of revenues, other direct costs, which include subcontractors and third party equipment and materials used in the performance of our contracts, was 48.5% for the year ended December 31, 2013, compared to 49.6% for the same period in 2012. We expect cost of services as a percentage of revenues to remain the same or slightly increase in 2014.

General and administrative expenses

The decrease in general and administrative expense was due to cost reduction initiatives, including reductions in indirect support staff and lower stock based compensation expense. As a percentage of revenues, general and administrative expense was slightly lower for the year ended December 31, 2013 when compared to the same period in 2012. We expect general and administrative expenses as a percentage of revenues to remain relatively stable in 2014.

Goodwill impairment

During the fourth quarter of 2013, multiple events and circumstances indicated a significant reduction in the operating performance outlook of one of our reporting units. These events included being awarded fewer contracts than anticipated on several competitive opportunities, changing mission priorities of the U.S. government in relation to certain of our C4ISR contracts and OCO-related work (primarily on maintenance and sustainment of MRAP vehicles), continued delays in our customers' procurement cycle due, in part, to the U.S. government shutdown, and continued margin pressure on some of our contracts. The culmination of these events led us to conduct an interim impairment analysis on the impacted reporting unit. As a result of this analysis, we recorded a non-cash impairment charge of $118.4 million for the period ending December 31, 2013. For additional information, see "Critical Accounting Estimates and Policies - Accounting for Business Combinations, Goodwill and Other Intangible Assets" and Note 7 to our consolidated financial statements in Item 8.

Provision for income taxes

Our effective tax rate is affected by recurring items, such as tax rates and the relative amount of income we earn in various taxing jurisdictions. It is also affected by discrete items that may occur in any given year, but are not consistent from year to year. Our effective income tax rates were 208.0% and 38.7% for the years ended December 31, 2013 and 2012, respectively. The increase in the effective tax rate is due to the non-deductible portion of the non-cash goodwill impairment charge. We expect the effective tax rate to be more in line with our historical rates in 2014.

Equity in losses of unconsolidated subsidiaries

We account for our investment in the Fluor-ManTech Logistics Solutions, LLC under the equity method of accounting. We recorded $(0.9) million and $0 in equity method losses for the years ended December 31, 2013 and 2012, respectively.

Net income (loss)

The decrease in net income (loss) was due to a non-cash goodwill impairment charge, a reduction in revenues and margin pressure due to a shift to cost-reimbursable contract awards as well as the competitive market place. To see net income exclusive of the non-cash goodwill impairment charge, see "Non-GAAP Financial Measures" below.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Consolidated Statements of Income

The following table sets forth certain items from our consolidated statements of income and the relative percentages that certain items of expense and earnings bear to revenues as well as the year-over-year change from December 31, 2011 to December 31, 2012.

	Year Ended December 31,				Year-to-Year Change	
	2012	2011	2012	2011	2011 to 2012	
	Dollars		Percentages		Dollars	Percent
	(dollars in thousands)					
REVENUES	$2,582,295	$2,869,982	100.0 %	100.0 %	$(287,687)	(10.0)%
Cost of services	2,213,894	2,453,679	85.7 %	85.5 %	(239,785)	(9.8)%
General and administrative expenses	197,413	188,949	7.7 %	6.6 %	8,464	4.5 %
OPERATING INCOME	170,988	227,354	6.6 %	7.9 %	(56,366)	(24.8)%
Interest expense	(16,304)	(15,791)	0.6 %	0.5 %	(513)	3.2 %
Interest income	344	332	— %	— %	12	3.6 %
Other income (expense), net	(74)	3,607	— %	0.1 %	(3,681)	(102.1)%
INCOME FROM OPERATIONS BEFORE INCOME TAXES	154,954	215,502	6.0 %	7.5 %	(60,548)	(28.1)%
Provision for income taxes	(59,935)	(82,196)	2.3 %	2.9 %	22,261	(27.1)%
NET INCOME	$95,019	$133,306	3.7 %	4.6 %	$(38,287)	(28.7)%

Revenues

The primary driver of our decrease in revenues relates to reductions on our C4ISR support contracts and contracts that have ended. These reductions were partially offset by revenues provided from new contract awards in the intelligence area. The reduction in C4ISR work is primarily due to reduced demand for field service support and delays in enhancements to existing ISR systems.

Cost of services

The decrease in cost of services was primarily due to the decrease in revenues. As a percentage of revenues, direct labor costs increased to 36.1% for the year ended December 31, 2012, as compared to 34.2% for the same period in 2011 as a result of an increase in our percentage of work as a prime contractor. As a percentage of revenues, other direct costs, which include subcontractors and third party equipment and materials used in the performance of our contracts, decreased from 51.3% for the year ended December 31, 2011 to 49.6% for the same period in 2012 due to a reduction in other direct costs on the C4ISR support contracts.

General and administrative expenses

The increase in general and administrative expense was primarily due our acquisitions and facility related costs from newly leased office space.

Other income (expense), net

The decrease in other income (expense), net was due to the sale of our investment in NetWitness in April 2011, which resulted in a gain of $3.7 million for the year ended December 31, 2011.

Provision for income taxes

Our effective income tax rates were 38.7% and 38.1% for the years ended December 31, 2012 and 2011, respectively. Our tax rate is affected by recurring items, such as tax rates and the relative amount of income we earn in jurisdictions, which we expect to be fairly consistent in the near term. It is also affected by discrete items that may occur in any given year, but are not consistent from year to year. The difference between our statutory U.S. federal income tax rate of 35.0% and our effective tax rate is state income taxes and non-deductible compensation.

Net income

The decrease was due to lower revenues, increased general and administrative expense and margin pressure on our contracts, both from the shift in contract type to cost-reimbursable and increased competitive market place.

Non-GAAP Financial Measures

Item 10(e) of Regulation S-K and other provisions of the securities laws regulate the use of financial measures that are not prepared in accordance with generally accepted accounting principles in the United States (GAAP). We are providing certain non-GAAP financial measures in this Annual Report on Form 10-K because we believe these non-GAAP measures provide important supplemental information to the GAAP financial measures contained in our consolidated financial statements. We believe these non-GAAP measures, which exclude the impact of the non-cash goodwill impairment charge taken in the fourth quarter of fiscal year 2013, provide useful information to our investors to better evaluate period-to-period comparisons of our operating results. Similarly, management uses these non-GAAP measures to gain a better understanding of our comparative operating performance from period-to-period and as a basis for forecasting future periods.

The following table is a reconciliation of our unaudited non-GAAP financial measures (in thousands, except per share data):

	Year Ended December 31, 2013	2012	2011
Net income (loss)	$(6,149)	$95,019	$133,306
Non-GAAP adjustments:			
Goodwill impairment	118,427	—	—
Tax effects	(32,717)	—	—
Adjusted non-GAAP net income	$79,561	$95,019	$133,306
Basic earnings (loss) per share (Class A and Class B)	$(0.17)	$2.57	$3.64
Non-GAAP adjustments	$2.31	$—	$—
Adjusted basic earnings per share (Class A and Class B)	$2.14	$2.57	$3.64
Diluted earnings (loss) per share (Class A and Class B)	$(0.17)	$2.57	$3.63
Non-GAAP adjustments	$2.31	$—	$—
Adjusted diluted earnings per share (Class A and Class B)	$2.14	$2.57	$3.63

Backlog

For the years ended December 31, 2013, 2012 and 2011 our backlog was $3.9 billion, $6.5 billion and $4.7 billion, respectively, of which $1.1 billion, $1.8 billion and $1.3 billion, respectively, was funded backlog. The decrease in our backlog is primarily due to reduced demand on OCO contracts resulting from the accelerated withdrawal from Afghanistan. Backlog represents estimates that we calculate on a consistent basis. For additional information on how we compute backlog, see “Backlog” in Item 1 “Business.”

Liquidity and Capital Resources

Historically, our primary liquidity needs have been the financing of acquisitions, working capital, payment under our cash dividend program and capital expenditures. Our primary sources of liquidity are cash provided by operations and our revolving credit facility.

On December 31, 2013, our cash and cash equivalents balance was $269.0 million. There were no outstanding borrowings under our revolving credit facility at December 31, 2013. At December 31, 2013, we were contingently liable under letters of credit totaling $0.2 million, which reduces our ability to borrow under our revolving credit facility by that amount. The maximum available borrowings under our revolving credit facility at December 31, 2013 was $499.8 million. At December 31, 2013, we had $200.0 million outstanding of our 7.25% senior unsecured notes. For additional information concerning our revolving credit facility and 7.25% senior unsecured notes, see Note 8 to our consolidated financial statements in Item 8.

Generally, cash provided by operating activities is adequate to fund our operations, including payments under our regular cash dividend program. Due to fluctuations in our cash flows and level of operations, it may become necessary from time-to-time to increase borrowings under our revolving credit facility to meet cash demands.

Cash Flows from Operating Activities

Our operating cash flow is primarily affected by our ability to invoice and collect from our clients in a timely manner, our ability to manage our vendor payments and the overall profitability of our contracts. We bill most of our customers monthly after services are rendered. Our accounts receivable days sales outstanding (DSO) was 84 and 79 for the years ended December 31, 2013 and 2012. For the years ended December 31, 2013, 2012 and 2011, our net cash flows from operating activities were $188.3 million, $126.3 million and $221.4 million, respectively. The increase in net cash flows from operating activities during the year ended December 31, 2013 when compared to the same period in 2012 was primarily due to the collection of accounts receivable and the timing of payments to our vendors and employees. The decrease in net cash flows from operating activities during the year ended December 31, 2012 compared to the same period in 2011 was primarily due to decreased billings in excess of revenue earned, lower net income, and the timing of payments under incentive compensation plans.

Cash Flows from Investing Activities

Our cash flow from investing activities consists primarily of business combinations, purchases of property and equipment and investments in capitalized software for internal use. For the year ended December 31, 2013, 2012 and 2011 our net cash outflows from investing activities were were $24.8 million, $76.0 million and $165.5 million, respectively. For the year ended December 31, 2013, our net cash outflows from investing activities were primarily due to the acquisition of ALTA Systems, Inc. and capital expenditures. For the year ended December 31, 2012, our net cash outflows from investing activities were due to the acquisition of HBGary, Inc. and Evolvent Technologies, Inc. and capital expenditures. For the year ended December 31, 2011, our net cash outflows from investing activities were due to the purchase of property and equipment primarily related to a mobile telecommunication network built for use on one of our contracts in Afghanistan and the acquisition of WINS and TranTech.

Cash Flows from Financing Activities

For the years ended December 31, 2013, 2012 and 2011, our net cash outflows from financing activities were $29.4 million, $29.8 million and $26.2 million, respectively. For the years ended December 31, 2013, 2012 and 2011, our net cash outflows from financing activities resulted primarily from dividends paid.

Revolving Credit Facility

We maintain a credit agreement with a syndicate of lenders led by Bank of America, N.A., as administrative agent. The credit agreement provides for a $500.0 million revolving credit facility, with a $25.0 million letter of credit sublimit and a $30.0 million swing line loan sublimit. The credit agreement also contains an accordion feature that permits the Company to arrange with the lenders for the provision of up to $250.0 million in additional commitments. The maturity date for this agreement is October 12, 2016.

Borrowings under our credit agreement are collateralized by substantially all the assets of ManTech and its Material Subsidiaries (as defined in the credit agreement) and bear interest at one of the following variable rates as selected by the Company at the time of borrowing: a London Interbank Offer Rate (LIBOR) based rate plus market-rate spreads (1.25% to 2.25% based on our consolidated total leverage ratio) or Bank of America's base rate plus market spreads (0.25% to 1.25% based on our consolidated total leverage ratio).

The terms of the credit agreement permit prepayment and termination of the loan commitments at any time, subject to certain conditions. The credit agreement requires the Company to comply with specified financial covenants, including the maintenance of a certain leverage ratios and a certain fixed charge coverage ratio. The credit agreement also contains various covenants, including affirmative covenants with respect to certain reporting requirements and maintaining certain business activities, and negative covenants that, among other things, may limit or impose restrictions on our ability to incur liens, incur additional indebtedness, make investments, make acquisitions and undertake certain additional actions. As of, and during, December 31, 2013 and 2012, we were in compliance with our financial covenants under the credit agreement.

There was no outstanding balance on our revolving credit facility at December 31, 2013 and 2012.

7.25% Senior Unsecured Notes

We have $200.0 million in aggregate principal amount of 7.25% senior unsecured notes that are registered under the Securities Act of 1933, as amended. The 7.25% senior unsecured notes were issued April 13, 2010 and mature on April 15, 2018. We have determined that we will redeem these notes in April 2014 in accordance with their terms. The aggregate amount necessary to redeem the notes in accordance with the optional redemption provision of the notes is $207,250,000. We expect to fund the redemption of the notes with cash from operations and the use of our revolving credit facility.

The indenture governing the 7.25% senior unsecured notes contains customary events of default, as well as restrictive covenants, which, subject to important exceptions and qualifications specified in such indenture, will, among other things, limit our ability and the ability of our subsidiaries that guarantee the 7.25% senior unsecured notes to: pay dividends or distributions, repurchase equity, prepay subordinated debt or make certain investments; incur additional debt or issue certain disqualified stock and preferred stock; incur liens on assets; merge or consolidate with another company or sell all or substantially all assets; and allow to exist certain control provisions. As of December 31, 2013 and 2012, the Company was in compliance with all covenants required by the indenture.

Capital Resources

We believe the capital resources available to us from cash on hand of $269.0 million at December 31, 2013, our $500.0 million capacity under our revolving credit facility and cash from our operations are adequate to fund our anticipated cash requirements for at least the next year, including payments under our regular cash dividend program. We anticipate financing our external growth from acquisitions and our longer-term internal growth through one or more of the following sources: cash from operations; use of our revolving credit facility; and additional borrowing or issuance of debt or equity.

Short-Term Borrowings

From time to time, we borrow funds against our revolving credit facility for working capital requirements and funding of operations, as well as acquisitions. Borrowings under our revolving credit facility bear interest at one of the following variable rates as selected by the Company at the time of the borrowing: a LIBOR based rate plus market spreads (1.25% to 2.25% based on our consolidated total leverage ratio) or the Bank of America's base rate plus market spreads (0.25% to 1.25% based on our consolidated total leverage ratio). In the next year we may use, as needed, our revolving credit facility or additional sources of borrowings in order to fund our anticipated cash requirements.

The following table summarizes the activity under our revolving credit facility for the years ended December 31, 2013, 2012 and 2011 (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Borrowings under revolving credit facility	$—	$9,000	$—
Repayment of borrowings under revolving credit facility	$—	$(9,000)	$—

Cash Management

To the extent possible, we invest our available cash in short-term, investment grade securities in accordance with our investment policy. Under our investment policy, we manage our investments in accordance with the priorities of maintaining the safety of our principal, maintaining the liquidity of our investments, maximizing the yield on our investments and investing our cash to the fullest extent possible. Our investment policy provides that no investment security can have a final maturity that exceeds six months and that the weighted average maturity of the portfolio cannot exceed 60 days. Cash and cash equivalents include cash on hand, amounts due from banks and short-term investments with maturity dates of three months or less at the date of purchase.

Dividend

During the years ended December 31, 2013 and 2012, we declared and paid quarterly dividends in the amount of $0.21 per share on both classes of common stock. While we expect to continue the regular cash dividend program, any future dividends declared will be at the discretion of our Board of Directors and will depend, among other factors, upon our results of operations, financial condition and cash requirements, as well as such other factors our Board or Directors deems relevant.

Off-Balance Sheet Arrangements

None.

Critical Accounting Estimates and Policies

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. Application of these policies is particularly important to the portrayal of our financial condition and results of operations. The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses. Actual results may differ from these estimates under different assumptions or conditions. Our significant accounting policies, including the critical policies listed below, are more fully described in the notes to our consolidated financial statements included in this report.

Revenue Recognition and Cost Estimation

We recognize revenues when persuasive evidence of an arrangement exists, services have been rendered, the contract price is fixed or determinable and collectability is reasonably assured. We have a standard internal process that we use to determine whether all required criteria for revenue recognition have been met.

Our revenues consist primarily of services provided by our employees and the pass through of costs for materials and subcontract efforts under contracts with our customers. Cost of services consists primarily of compensation expenses for program personnel, the fringe benefits associated with this compensation and other direct expenses incurred to complete programs, including cost of materials and subcontract efforts.

We derive the majority of our revenues from cost-plus-fixed-fee, cost-plus-award-fee, firm-fixed-price or time-and-materials contracts. Revenues for cost-reimbursable contracts are recorded as reimbursable costs are incurred, including an estimated share of the applicable contractual fees earned. For performance-based fees under cost-reimbursable contracts, we recognize the relevant portion of the expected fee to be awarded by the customer at the time such fee can be reasonably estimated, based on factors such as our prior award experience and communications with the customer regarding performance, or upon approval by the customer. For time-and-materials contracts, revenues are recognized to the extent of billable rates times hours delivered plus materials and other reimbursable costs incurred. For long-term fixed-price production contracts, revenues are recognized at a rate per unit as the units are delivered or by other methods to measure services provided. Revenues from other long-term fixed-price contracts are recognized ratably over the contract period or by other appropriate methods to measure services provided. Contract costs are expensed as incurred except for certain limited long-term contracts noted below. For long-term contracts, specifically described in the scope section of ASC 605-35, we apply the percentage of completion method. Under the percentage of completion method, income is recognized at a consistent profit margin over the period of performance based on estimated profit margins at completion of the contract. This method of accounting requires estimating the total revenues and total contract cost at completion of the contract. During the performance of long-term contracts, these estimates are periodically reviewed and revisions are made as required using the cumulative catch-up method of accounting. The impact on revenues and contract profit as a result of these revisions is included in the periods in which the revisions are made. This method can result in the deferral of costs or the deferral of profit on these contracts. Because we assume the risk of performing a fixed-price contract at a set price, the failure to accurately estimate ultimate costs or to control costs during performance of the work could result, and in some instances has resulted, in reduced profits or losses for such contracts. Both the individual changes in contract estimates and aggregate net changes in contract estimates recognized using the cumulative catch-up method of accounting were not material to the consolidated statement of operations for all periods presented. Estimated losses on contracts at completion are recognized when identified. In certain circumstances, revenues are recognized when contract amendments have not been finalized.

Accounting for Business Combinations, Goodwill and Other Intangible Assets

The purchase price of an acquired business is allocated to the tangible assets, financial assets and separately recognized intangible assets acquired less liabilities assumed based upon their respective fair values, with the excess recorded as goodwill. Such fair value assessments require judgments and estimates that can be affected by contract performance and other factors over time, which may cause final amounts to differ materially from original estimates.

We review goodwill at least annually for impairment, or whenever events or circumstances indicate that the carrying value of long-lived assets may not be fully recoverable. We perform this review at the reporting unit level, which is one level below our one reportable segment. The goodwill impairment test is a two-step process performed at the reporting unit level. The first step of the goodwill impairment test compares the fair value of a reporting unit with its carrying amount (including goodwill). If the reporting unit's fair value exceeds its carrying value, no further procedures are required. However, if the reporting unit's fair value is less than its carrying value, an impairment of goodwill may exist, requiring a second step to be performed. Step two of this test measures the amount of the impairment loss, if any. Step two of this test requires the allocation of the reporting unit's fair value to its assets and liabilities, including any unrecognized intangible assets, in a hypothetical analysis that calculates the implied fair value of goodwill as if the reporting unit were being acquired in a business combination. If the implied fair value of goodwill is less than the carrying value, the difference is recorded as a goodwill impairment charge in operations.

The fair values of the reporting units are determined based on a weighting of the income approach, market approach and market transaction approach. The income approach is a valuation technique in which fair value is based from forecasted future cash flow discounted at the appropriate rate of return commensurate with the risk as well as current rates of return for equity and debt capital as of the valuation date. The forecast used in our estimation of fair value was developed by management based on a contract basis, incorporating adjustments to reflect known contract and market considerations (such as reductions and uncertainty in government spending, pricing pressure and opportunities). The discount rate utilizes a risk adjusted weighted average cost of capital. The market approach is a valuation technique in which the fair value is calculated based on market prices realized in an actual arm's length transaction. The technique consists of undertaking a detailed market analysis of publicly traded companies that provides a reasonable basis for comparison to the company. Valuation ratios, which relate market prices to selected financial statistics derived from comparable companies, are selected and applied to the company after consideration of adjustments for financial position, growth, market, profitability and other factors. The market transaction approach is a valuation technique in which the fair value is calculated based on market prices realized in actual arm's length transactions. The technique consists of undertaking a detailed market analysis of merged and acquired companies that provided a reasonable basis for comparison to the company. Valuation ratios, which relate market prices to selected financial statistics derived from comparable companies, are selected and applied to the company after consideration of adjustments for financial position, growth, market, profitability and other factors. To assess the reasonableness of the calculated reporting unit fair values, we compare the sum of the reporting units' fair values to the Company's market capitalization (per share stock price times the number of shares outstanding) and calculate an implied control premium (the excess of the sum of the reporting units' fair values over the market capitalization), and then assess the reasonableness of our implied control premium.

We have elected to perform our annual review during the second quarter of each calendar year. In addition, management monitors events and circumstances that could result in an impairment. A significant amount of judgment is involved in determining if an indicator of impairment has occurred between annual testing dates. Events that could cause the fair value of our long-lived assets to decrease include; changes in our business environment or market conditions, a material change in our financial outlook, including declines in expected revenue growth rates and operating margins, or a material decline in the market price for our stock. If any impairment were indicated as a result of a review, we would recognize a loss based on the amount by which the carrying amount exceeds the estimated fair value.

During the fourth quarter of 2013, multiple events and circumstances indicated a significant reduction in the operating performance outlook of one of our reporting units. These events include lower than expected contract awards on several competitive opportunities, changing mission priorities of the U.S. government in relation to our C4ISR contracts and OCO-related work (primarily on maintenance and sustainment of MRAP vehicles), continued delays in our customers' procurement cycle due, in part, to the U.S. government shutdown, and continued margin pressures on some of our contracts. The culmination of these events led us to conduct an interim goodwill impairment analysis on the impacted reporting unit. As a result of this analysis, we recorded a non-cash goodwill impairment charge of $118.4 million for the period ending December 31, 2013.

Due to the many variables inherent in the estimation of a reporting unit's fair value and the relative size of our recorded goodwill, differences in assumptions may have a material effect on the results of our goodwill impairment analysis.

Accounting Standards Updates

In July 2013, Accounting Standard Update No. 2013-11, Income Taxes (Topic 740), was issued. This Update applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. In accordance with this Update, an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. For example, an entity should not evaluate whether the deferred tax asset expires before the statute of limitations on the tax position or whether the deferred tax asset may be used prior to the unrecognized tax benefit being settled. The amendments in this Update do not require new recurring disclosures. The amendments in this Update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The adoption of Accounting Standard Update No. 2013-11 is not expected to have a material impact on our results of operations, financial position or cash flows.

In February 2013, Accounting Standard Update No. 2013-2, Other Comprehensive Income (Topic 220), was issued. The amendments in this Update apply to all entities that issue financial statements that are presented in conformity with U.S. GAAP and that report items of other comprehensive income. Public companies are required to comply with these amendments for all reporting periods presented, including interim periods. The amendments do not change the current requirements for reporting net income or other comprehensive income in financial statements. However, the amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. The adoption of Accounting Standard Update No. 2013-2 did not have an impact on our results of operations, financial position or cash flows.

Contractual Obligations

Our contractual obligations as of December 31, 2013 are as follows (in thousands):

	Payments Due By Period				
Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Debt obligations (1)	$200,000	$—	$—	$200,000	$—
Interest on fixed rate debt (1)	65,250	14,500	29,000	21,750	—
Operating lease obligations (2)	177,780	29,940	44,745	36,613	66,482
Other long-term liabilities (3)	12,540	1,771	2,290	1,977	6,502
Accrued defined benefit obligations (4)	1,260	138	265	250	607
Total	$456,830	$46,349	$76,300	$260,590	$73,591

(1) See Note 8 to our consolidated financial statements in Item 8 for additional information regarding debt and related matters.
(2) Excludes approximately $11.0 million of deferred rent liabilities. See Note 9 to our consolidated financial statements in Item 8 for additional information regarding operating leases.
(3) Includes approximately $11.0 million of deferred rent liabilities as well as gross unrecognized tax benefits of $1.2 million. See Note 9 to our consolidated financial statements in Item 8 for additional information regarding deferred rent liabilities. See Note 12 to our consolidated financial statements in Item 8 for additional information regarding gross unrecognized tax benefits.
(4) Includes approximately $1.3 million of unfunded pension obligations related to nonqualified supplemental defined benefit pension plans for certain retired employees of an acquired company, which is included in the accrued retirement amount on our consolidated balance sheets. Excludes liabilities related to one non-qualified deferred compensation plan for certain highly compensated employees, which are included in the accrued retirement amount on our consolidated balance sheets. The funds deferred by the employees are invested and maintained in rabbi trusts, which are reflected in the employee supplemental savings plan assets on our consolidated balance sheets. These liabilities will be satisfied by assets held in rabbi trusts. See Note 11 to our consolidated financial statements in Item 8 for additional information regarding retirement plans.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Our exposure to market risk relates to changes in interest rates for borrowings under our revolving credit facility. At December 31, 2013, we had no outstanding balance on our revolving credit facility. Borrowings under our revolving credit facility bear interest at variable rates. A hypothetical 10% increase in interest rates would have no effect on our annual interest expense for the year ended December 31, 2013.

We do not use derivative financial instruments for speculative or trading purposes. When we have excess cash, we invest in short-term, investment grade, interest-bearing securities. Our investments are made in accordance with an investment policy. Under this policy, no investment security can have a maturity exceeding six months and the weighted average maturity of the portfolio cannot exceed 60 days.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
ManTech International Corporation
Fairfax, Virginia

We have audited the accompanying consolidated balance sheets of ManTech International Corporation and subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of income and loss, comprehensive income and loss, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of ManTech International Corporation and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 21, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

McLean, Virginia
February 21, 2014

MANTECH INTERNATIONAL CORPORATION
CONSOLIDATED BALANCE SHEETS
(In Thousands Except Share Amounts)

	December 31, 2013	2012
ASSETS		
Cash and cash equivalents	$269,001	$134,896
Receivables—net	457,898	548,309
Prepaid expenses and other	19,384	27,185
Contractual inventory	3,962	34,762
Total Current Assets	750,245	745,152
Goodwill	752,867	861,912
Other intangible assets—net	152,523	167,910
Property and equipment—net	30,156	28,588
Employee supplemental savings plan assets	31,765	27,352
Other assets	5,846	10,995
TOTAL ASSETS	$1,723,402	$1,841,909
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Accounts payable and accrued expenses	$226,287	$315,582
Accrued salaries and related expenses	56,617	52,364
Billings in excess of revenue earned	13,781	15,031
Deferred income taxes—current	—	4,266
Total Current Liabilities	296,685	387,243
Long-term debt	200,000	200,000
Deferred income taxes—non-current	48,093	50,645
Accrued retirement	33,565	29,390
Other long-term liabilities	11,288	9,403
TOTAL LIABILITIES	589,631	676,681
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, Class A—$0.01 par value; 150,000,000 shares authorized; 24,245,893 and 24,093,832 shares issued at December 31, 2013 and 2012; 24,001,780 and 23,849,719 shares outstanding at December 31, 2013 and 2012	242	241
Common stock, Class B—$0.01 par value; 50,000,000 shares authorized; 13,192,845 and 13,192,845 shares issued and outstanding at December 31, 2013 and 2012	132	132
Additional paid-in capital	423,787	417,917
Treasury stock, 244,113 and 244,113 shares at cost at December 31, 2013 and 2012	(9,158)	(9,158)
Retained earnings	718,892	756,241
Accumulated other comprehensive income (loss)	(124)	(145)
TOTAL STOCKHOLDERS' EQUITY	1,133,771	1,165,228
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,723,402	$1,841,909

See notes to consolidated financial statements.

MANTECH INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME AND LOSS
(In Thousands Except Per Share Amounts)

	Year Ended December 31, 2013	2012	2011
REVENUES	$2,310,072	$2,582,295	$2,869,982
Cost of services	1,995,630	2,213,894	2,453,679
General and administrative expenses	173,772	197,413	188,949
Goodwill impairment	118,427	—	—
OPERATING INCOME	22,243	170,988	227,354
Interest expense	(16,266)	(16,304)	(15,791)
Interest income	608	344	332
Other income (expense), net	(32)	(74)	3,607
INCOME FROM OPERATIONS BEFORE INCOME TAXES AND EQUITY METHOD INVESTMENTS	6,553	154,954	215,502
Provision for income taxes	(11,842)	(59,935)	(82,196)
Equity in losses of unconsolidated subsidiaries	(860)	—	—
NET INCOME (LOSS)	$(6,149)	$95,019	$133,306
BASIC EARNINGS (LOSS) PER SHARE:			
Class A common stock	$(0.17)	$2.57	$3.64
Class B common stock	$(0.17)	$2.57	$3.64
DILUTED EARNINGS (LOSS) PER SHARE:			
Class A common stock	$(0.17)	$2.57	$3.63
Class B common stock	$(0.17)	$2.57	$3.63

See notes to consolidated financial statements.

MANTECH INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME AND LOSS
(In Thousands)

	Year Ended December 31, 2013	2012	2011
NET INCOME (LOSS)	$(6,149)	$95,019	$133,306
OTHER COMPREHENSIVE INCOME (LOSS):			
Translation adjustments, net of tax	(15)	134	(80)
Actuarial gain (loss) on defined benefit pension plans, net of tax	36	32	(76)
Total other comprehensive income (loss)	21	166	(156)
COMPREHENSIVE INCOME (LOSS)	$(6,128)	$95,185	$133,150

See notes to consolidated financial statements.

MANTECH INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In Thousands)

	December 31, 2013	2012	2011
Common Stock, Class A			
At beginning of year	$241	$239	$234
Stock option exercises	1	—	3
Conversion Class B to Class A common stock	—	—	1
Contribution of Class A common stock to Employee Stock Ownership Plan	—	2	1
At end of year	242	241	239
Common Stock, Class B			
At beginning of year	132	132	133
Conversion Class B to Class A common stock	—	—	(1)
At end of year	132	132	132
Additional Paid-In Capital			
At beginning of year	417,917	406,083	385,407
Stock compensation expense	5,236	8,142	9,170
Stock option exercises	1,766	1,147	8,183
Contribution of Class A common stock to Employee Stock Ownership Plan	1,200	3,906	3,559
Tax benefit (deficiency) from the exercise of stock options	(2,332)	(1,361)	(236)
At end of year	423,787	417,917	406,083
Treasury Stock, at cost			
At beginning of year	(9,158)	(9,158)	(9,114)
Treasury stock acquired	—	—	(44)
At end of year	(9,158)	(9,158)	(9,158)
Retained Earnings			
At beginning of year	756,241	692,272	589,838
Net income (loss)	(6,149)	95,019	133,306
Dividends	(31,200)	(31,050)	(30,872)
At end of year	718,892	756,241	692,272
Accumulated Other Comprehensive Income (Loss)			
At beginning of year	(145)	(311)	(155)
Translation adjustments, net of tax	(15)	134	(80)
Actuarial gain (loss) on defined benefit pension plans, net of tax	36	32	(76)
At end of year	(124)	(145)	(311)
Total Stockholders' Equity	$1,133,771	$1,165,228	$1,089,257

See notes to consolidated financial statements

MANTECH INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Year Ended December 31,		
	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$(6,149)	$95,019	$133,306
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Goodwill impairment	118,427	—	—
Depreciation and amortization	30,504	52,742	55,189
Deferred income taxes	(10,915)	17,539	(3,259)
Stock-based compensation	5,236	8,142	9,170
Equity in losses of unconsolidated subsidiaries	860	—	—
Gain on sale of property and equipment	(402)	—	—
Excess tax benefits from the exercise of stock options	(53)	(46)	(351)
Gain on sale of investments	—	—	(3,745)
Change in assets and liabilities—net of effects from acquired businesses:			
Receivables-net	91,583	(1,081)	6,131
Contractual inventory	30,800	(34,762)	—
Prepaid expenses and other	9,334	(4,416)	(5,179)
Accounts payable and accrued expenses	(89,935)	28,187	(1,907)
Accrued salaries and related expenses	3,677	(22,053)	5,261
Billings in excess of revenue earned	(1,291)	(20,456)	23,846
Accrued retirement	4,175	3,235	366
Other	2,428	4,208	2,527
Net cash flow from operating activities	188,279	126,258	221,355
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of businesses-net of cash acquired	(11,382)	(63,093)	(109,043)
Purchases of property and equipment	(11,087)	(11,718)	(54,460)
Investment in capitalized software for internal use	(2,536)	(3,182)	(5,227)
Investment in unconsolidated subsidiaries	(422)	—	—
Proceeds from sale of property and equipment	402	—	—
Proceeds from sale of investment	239	185	3,255
Proceeds from disposition of a business	—	1,799	—
Net cash flow from investing activities	(24,786)	(76,009)	(165,475)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid	(31,208)	(31,029)	(30,846)
Proceeds from exercise of stock options	1,767	1,147	8,186
Excess tax benefits from the exercise of stock options	53	46	351
Debt issuance costs	—	—	(3,873)
Treasury stock acquired	—	—	(44)
Net cash flow from financing activities	(29,388)	(29,836)	(26,226)
NET CHANGE IN CASH AND CASH EQUIVALENTS	134,105	20,413	29,654
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	134,896	114,483	84,829
CASH AND CASH EQUIVALENTS, END OF PERIOD	$269,001	$134,896	$114,483
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for interest	$15,903	$15,429	$15,357

Noncash investing and financing activities:			
Employee Stock Ownership Plan Contributions	$1,287	$3,868	$4,103

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2013, 2012 and 2011

1. Description of the Business

ManTech International Corporation (depending on the circumstances, “ManTech” “Company” “we” “our” “ours” or “us”) is a leading provider of innovative technologies and solutions for mission-critical national security programs for the intelligence community; the departments of Defense, State, Homeland Security, Energy and Justice, including the Federal Bureau of Investigation (FBI); the healthcare and space communities; and other U.S. federal government customers. We provide support to critical national security programs for approximately 50 federal agencies through over 1,000 current contracts. Our services include the following solution sets that are aligned with the long-term needs of our customers: cyber security; information technology (IT) modernization and sustainment; intelligence/counterintelligence solutions and support; systems engineering; healthcare analytics and IT; test and evaluation; command, control, communications, computers, intelligence, surveillance and reconnaissance (C4ISR) solutions and services; environmental, range and sustainability services; testing services; and global logistics support. We support major national missions, such as military readiness and wellness, terrorist threat detection, information security and border protection. Our employees operate primarily in the United States, as well as numerous locations internationally.

2. Summary of Significant Accounting Policies

Principles of Consolidation-Our consolidated financial statements include the accounts of ManTech International Corporation, subsidiaries we control and variable interest entities that are required to be consolidated. All intercompany accounts and transactions have been eliminated. Investments in entities where we have significant influence, but not control, are accounted for using the equity method.

Use of Accounting Estimates-We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates involve judgments with respect to, among other things, various future economic factors that are difficult to predict and are beyond the control of the Company. Therefore, actual amounts could differ from these estimates.

Revenue Recognition-We derive the majority of our revenues from cost-plus-fixed-fee, cost-plus-award-fee, firm-fixed-price or time-and-materials contracts. Revenues for cost-reimbursable contracts are recorded as reimbursable costs are incurred, including an estimated share of the applicable contractual fees earned. For performance-based fees under cost-reimbursable contracts, we recognize the relevant portion of the expected fee to be awarded by the customer at the time such fee can be reasonably estimated, based on factors such as our prior award experience and communications with the customer regarding performance, or upon approval by the customer. For time-and-materials contracts, revenues are recognized to the extent of billable rates times hours delivered plus materials and other reimbursable costs incurred. For long-term fixed-price production contracts, revenues are recognized at a rate per unit as the units are delivered or by other methods to measure services provided. Revenues from other long-term fixed-price contracts are recognized ratably over the contract period or by other appropriate methods to measure services provided. Contract costs are expensed as incurred except for certain limited long-term contracts noted below. For long-term contracts, specifically described in the scope section of ASC 605-35, we apply the percentage of completion method. Under the percentage of completion method, income is recognized at a consistent profit margin over the period of performance based on estimated profit margins at completion of the contract. This method of accounting requires estimating the total revenues and total contract cost at completion of the contract. During the performance of long-term contracts, these estimates are periodically reviewed and revisions are made as required using the cumulative catch-up method of accounting. The impact on revenues and contract profit as a result of these revisions is included in the periods in which the revisions are made. This method can result in the deferral of costs or the deferral of profit on these contracts. Because we assume the risk of performing a fixed-price contract at a set price, the failure to accurately estimate ultimate costs or to control costs during performance of the work could result, and in some instances has resulted, in reduced profits or losses for such contracts. Both the individual changes in contract estimates and aggregate net changes in contract estimates recognized using the cumulative catch-up method of accounting were not material to the consolidated statement of operations for all periods presented. Estimated losses on contracts at completion are recognized when identified. In certain circumstances, revenues are recognized when contract amendments have not been finalized.

Cost of Services-Cost of services consists primarily of compensation expenses for program personnel, the fringe benefits associated with this compensation and other direct expenses incurred to complete programs, including cost of materials and subcontract efforts.

Cash and Cash Equivalents-For the purpose of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and short-term investments with maturity dates of three months or less at the date of purchase. Due to the short maturity of cash equivalents, the carrying value on our consolidated balance sheets approximates fair value.

Property and Equipment-Property and equipment are recorded at original cost. Upon sale or retirement, the costs and related accumulated depreciation or amortization are eliminated from the respective accounts and any resulting gain or loss is included in income. Maintenance and repairs are charged to expense as incurred.

Depreciation and Amortization Method-Furniture and office equipment are depreciated using the straight-line method with estimated useful lives ranging from one to seven years. Leasehold improvements are amortized using the straight-line method over the term of the lease.

Contractual Inventory-Inventory consists of finished goods purchased for a specific contract.

Goodwill-Goodwill represents the excess of cost over the fair value of net tangible and identifiable intangible assets of acquired companies.

Other Intangible Assets-Contract rights and other intangible assets are amortized primarily using the pattern of benefits method over periods ranging from one to twenty-five years.

We accounted for the cost of computer software developed or obtained for internal use in accordance with ASC 350-985, Software. These capitalized software costs are included in other intangible assets, net.

We account for software development costs related to software products for sale, lease or otherwise marketed in accordance with ASC 985-20, Costs of Software to be Sold, Leased, or Marketed. For projects fully funded by us, development costs are capitalized from the point of demonstrated technological feasibility until the point in time that the product is available for general release to customers. Once the product is available for general release, capitalized costs are amortized based on units sold or on a straight-line basis over a five-year period or other such shorter period as may be required.

Impairment of Long-Lived Assets-Whenever events or changes in circumstances indicate that the carrying amount of long-lived assets may not be fully recoverable, we evaluate the probability that future undiscounted net cash flows, without interest charges, will be less than the carrying amount of the assets. If any impairment were indicated as a result of this review, we would recognize a loss based on the amount by which the carrying amount exceeds the estimated fair value.

We review goodwill at least annually for impairment, or whenever events or circumstances indicate that the carrying value of long-lived assets may not be fully recoverable. We have elected to perform our annual review during the second quarter of each calendar year. If any impairment was indicated as a result of a review, we would recognize a loss based on the amount by which the carrying amount exceeds the estimated fair value. As a result of interim analysis conducted in the fourth quarter of 2013, we recorded a non-cash goodwill impairment charge of $118.4 million for the period ending December 31, 2013. Furthermore, other intangible assets were tested for impairment in conjunction with the interim analysis and no impairment loss was identified.

Employee Supplemental Savings Plan Assets-We maintain several non-qualified defined contribution supplemental retirement plans for certain key employees that are accounted for in accordance with ASC 710-10-05, Deferred Compensation - Rabbi Trusts, as the underlying assets are held in rabbi trusts with investments directed by the respective employee. A rabbi trust is a grantor trust generally set up to fund compensation for a select group of management and the assets of this trust are available to satisfy the claims of general creditors in the event of bankruptcy of the Company. The assets held by the rabbi trusts are recorded at cash surrender value in our consolidated financial statements as Employee Supplemental Savings Plan assets with a related liability to employees recorded as a deferred compensation liability in accrued retirement.

Billings In Excess of Revenue Earned-We receive advances and milestone payments from customers that exceed the revenues earned to date. We classify such items as current liabilities.

Stock-based Compensation-We account for stock-based compensation in accordance with ASC 718, Compensation - Stock Compensation. ASC 718 requires the use of a valuation model to calculate the fair value of stock-based awards. We have elected to use the Black-Scholes-Merton pricing model to determine fair value on the dates of grant. The fair value is included in operating expenses or capitalized, as appropriate, straight-line over the period in which service is provided in exchange for the award.

Income Taxes-We account for income taxes in accordance with ASC 740, Income Taxes. Under this method, deferred income taxes are determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities given the provisions of enacted tax laws. Deferred income tax provisions and benefits are based on changes to the assets or liabilities from year-to-year. In providing for deferred taxes, we consider tax regulations of the jurisdictions in which we operate, estimates of future taxable income and available tax planning strategies. If tax regulations, operating results or the ability to implement tax-planning strategies vary, adjustments to the carrying value of deferred tax assets and liabilities may be required. Valuation allowances are recorded related to deferred tax assets based on the “more likely than not” criteria. We recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would “more likely than not” sustain the position following an audit. For tax positions meeting the “more likely than not” threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

Foreign-Currency Translation-All assets and liabilities of foreign subsidiaries are translated into U.S. dollars at fiscal year-end exchange rates. Income and expense items are translated at average monthly exchange rates prevailing during the fiscal year. The resulting translation adjustments are recorded as a component of accumulated other comprehensive income (loss).

Comprehensive Income (Loss)-Comprehensive income (loss) is presented in our consolidated statements of changes in stockholders' equity. Comprehensive income (loss) consists of net income (loss); translation adjustments, net of tax; and actuarial gain (loss) on defined benefit pension plan, net of tax.

Fair Value of Financial Instruments-The carrying value of our cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate their fair value because of the short-term nature of these amounts.

Variable Interest Entities-We determine whether we have a controlling financial interest in a Variable Interest Entity (VIE). The reporting entity with a variable interest or interest that provides the reporting entity with a controlling financial interest in a VIE will have both (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. We have one entity that has been consolidated as a VIE. The purpose of the entity is to perform on certain U.S. Navy contracts. The maximum amount of loss we are exposed to as of December 31, 2013 was not material to our consolidated financial statements.

Equity Method Investments-Investments where we have the ability to exercise significant influence, but we do not control, are accounted for under the equity method of accounting and are included in other assets on our consolidated balance sheets. Significant influence typically exists if we have a 20% to 50% ownership interest in the investee. Under this method of accounting, our share of the net earnings or losses of the investee is included in equity in losses of unconsolidated subsidiaries on our consolidated statement of income and loss.

Accounting Standards Updates

In July 2013, Accounting Standard Update No. 2013-11, Income Taxes (Topic 740), was issued. This Update applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. In accordance with this Update, an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. For example, an entity should not evaluate whether the deferred tax asset expires before the statute of limitations on the tax position or whether the deferred tax asset may be used prior to the unrecognized tax benefit being settled. The amendments in this Update do not require new recurring disclosures. The amendments in this Update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The adoption of Accounting Standard Update No. 2013-11 is not expected to have an impact on our results of operations, financial position or cash flows.

In February 2013, Accounting Standard Update No. 2013-2, Other Comprehensive Income (Topic 220), was issued. The amendments in this Update apply to all entities that issue financial statements that are presented in conformity with U.S. GAAP and that report items of other comprehensive income. Public companies are required to comply with these amendments for all reporting periods presented, including interim periods. The amendments do not change the current requirements for reporting net income or other comprehensive income in financial statements. However, the amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. For public entities, the amendments are effective prospectively for reporting periods beginning after December 15, 2012. The adoption of Accounting Standard Update No. 2013-2 did not have an impact on our results of operations, financial position or cash flows.

3. Acquisitions

ALTA Systems, Inc.-On January 8, 2013, we completed the acquisition of ALTA Systems, Inc. (ALTA). The result of ALTA's operations have been included in our consolidated financial statements since that date. The acquisition was completed through a stock purchase agreement dated January 8, 2013, by and among ManTech International Corporation, ALTA Holdings LLC and the sole member of ALTA Holding LLC. ALTA is an information technology (IT) and professional services company with valuable applications in healthcare systems and capital planning. ALTA provides a broad range of IT and professional services to government and private industry in three major areas: capital planning and investment control; system design, development and operations; and fraud detection and statistical analysis. The acquisition allows ManTech to deliver technology services through ALTA's prime position on the Centers of Medicare and Medicaid Services (CMS) Enterprise Systems Development (ESD) contract. ManTech funded the acquisition with cash on hand. The stock purchase agreement did not contain provisions for contingent consideration.

Revenues were $6.2 million and net income was $0.1 million for the period from January 8, 2013 to December 31, 2013. For the year ended December 31, 2013, ManTech incurred approximately $0.1 million of acquisition costs related to the ALTA transaction, which are included in the general and administrative expense in our consolidated statement of income and loss.

The purchase price of $10.2 million was allocated to the underlying assets and liabilities based on their estimated fair value at the date of acquisition. We have recorded total assets of $11.1 million, including goodwill and intangible assets recognized in connection with the acquisition, and total liabilities of $0.9 million. Included in total assets were $0.7 million in acquisition related intangible assets. We recorded goodwill of $9.1 million, which will be deductible for tax purposes over 15 years, assuming adequate levels of taxable income. Recognition of goodwill is largely attributed to the value paid for ALTA's capabilities in providing technology services to the federal government in the health care sector.

In allocating the purchase price, we considered among other factors, analysis of historical financial performance and estimates of future performance of ALTA's contracts. The components of other intangible assets associated with the acquisition were customer relationships and backlog valued at $0.6 million and $0.1 million, respectively. Customer contracts and related relationships represent the underlying relationships and agreements with ALTA's existing customers. Customer relationships and backlog are amortized straight-line over their estimated useful lives of approximately 20 years and 1 year, respectively. The weighted-average amortization period for the intangible assets is 17.1 years.

HBGary, Inc.-On April 2, 2012, we completed the acquisition of certain assets of HBGary, Inc. (HBGary). The results of HBGary's operations have been included in our consolidated financial statements since that date. The acquisition was completed through an asset purchase agreement dated February 27, 2012, by and among a subsidiary of ManTech

International Corporation, HBGary and the shareholders of HBGary. HBGary provides a comprehensive suite of software products to detect, analyze and diagnose Advance Persistent Threats and targeted malware. The company has customers in the financial services, energy, critical infrastructure and technology sectors. This acquisition broadened our cyber security solution capability for customers. ManTech funded the acquisition with cash on hand. The asset purchase agreement did not contain provisions for contingent consideration.

Revenues were $3.2 million and net loss of $(3.2) million for the period from April 2, 2012 to December 31, 2012. For the year ended December 31, 2012, ManTech incurred approximately $0.8 million of acquisition costs related to the HBGary transaction, which are included in the general and administrative expense in our consolidated statement of income and loss.

The purchase price of $23.8 million was allocated to the underlying assets and liabilities based on their fair value at the date of acquisition. Total assets were $24.6 million, including goodwill and intangible assets recognized in connection with the acquisition, and total liabilities were $0.8 million. Included in total assets were $3.1 million in acquisition related intangibles assets. We recorded goodwill of $20.1 million, which will be deductible for tax purposes over 15 years, assuming adequate levels of taxable income. Recognition of goodwill is largely attributed to the value paid for HBGary's capabilities in providing cyber service and product solutions to both federal and commercial customers.

The components of other intangible assets associated with the acquisition were developed technology, customer relationships and trademark valued at $2.0 million, $0.9 million and $0.2 million, respectively. Developed technology represents the software developed by HBGary to detect, analyze and diagnose Advanced Persistent Threats and targeted malware. Customer relationship represent the underlying relationship with HBGary customers in the financial services, energy, critical infrastructure and technology sectors. Trademark represents the HBGary trade name that is recognized in the industry. Developed technology, customer relationships and trademark are amortized straight-line over their estimate useful lives of approximately 3 years, 2 years and 2 years, respectively. The weighted-average amortization period for the intangible assets is 2.5 years.

Evolvent Technologies, Inc.-On January 6, 2012, we completed the acquisition of Evolvent Technologies, Inc. (Evolvent). The results of Evolvent's operations have been included in our consolidated financial statements since that date. The acquisition was completed through an equity purchase agreement dated January 6, 2012, by and among ManTech, shareholders and warrantholders of the parent of Evolvent, Evolvent and Prudent Management, LLC in its capacity as the sellers' representative. Evolvent provides services in clinical IT, clinical business intelligence, imaging cyber security, behavioral health, tele-health, software development and systems integration. Its systems and processes enable better decision-making at the point of care and full integration of medical information across different platforms. This acquisition has enabled ManTech to expand its customer relationships and deliver IT solutions through Evolvent's existing relationships with the Department of Defense health organizations, the Veterans Administration and the Department of Health and Human Services. ManTech funded the acquisition with cash on hand. The equity purchase agreement did not contain provisions for contingent consideration.

Revenues were $27.9 million and net income was $0.3 million for the period from January 6, 2012 to December 31, 2012. For the year ended December 31, 2012, the Company incurred $0.2 million of acquisition costs associated with the Evolvent transaction, which are included in general and administrative expense in our consolidated statement of income and loss.

The purchase price of $39.9 million was allocated to the underlying assets and liabilities based on their fair value at the date of acquisition. Total assets were $46.9 million, including goodwill and intangible assets recognized in connection with the acquisition, and total liabilities were $7.0 million. Included in total assets were $3.7 million in acquisition related intangible assets. We recorded goodwill of $33.2 million, which is not deductible for tax purposes. Recognition of goodwill is largely attributed to the highly skilled employees and the value paid for Evolvent's capabilities in providing IT services and solutions to the federal government healthcare sector.

In allocating the purchase price, we considered among other factors, analyses of historical performance and estimates of future performance of Evolvent's contracts. The components of other intangible assets associated with the acquisition were customer relationships and backlog valued at $3.4 million and $0.3 million, respectively. Customer contracts and related relationships represent the underlying relationships and agreements with Evolvent's existing customers. Customer relationships and backlog are amortized over their estimated useful lives of 20 years and 1 year, respectively, using the pattern of benefits method. The weighted-average amortization period for the intangible assets is 18.5 years.