MANTECH INTERNATIONAL CORP
Form 10-Q
July 29, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2011

or

¨ **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 **(State or other jurisdiction of** **incorporation or organization)**	**22-1852179** **(I.R.S. Employer** **Identification No.)**
12015 Lee Jackson Highway, Fairfax, VA **(Address of principal executive offices)**	**22033** **(Zip Code)**

(703) 218-6000

(Registrant s telephone number, including area code)

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. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes ¨ No

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	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

As of July 22, 2011 there were outstanding 23,544,806 shares of our Class A common stock and 13,192,845 shares of our Class B common stock.

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MANTECH INTERNATIONAL CORPORATION

FORM 10-Q

FOR THE QUARTER ENDED June 30, 2011

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

MANTECH INTERNATIONAL CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands Except Share Amounts)

	(unaudited) June 30, 2011	December 31, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 206,950	$ 84,829
Receivables net	541,848	528,765
Prepaid expenses and other	14,934	16,642
Total Current Assets	763,732	630,236
Property and equipment net	62,196	27,086
Goodwill	744,322	729,558
Other intangibles net	166,512	168,487
Employee supplemental savings plan assets	24,949	24,415
Other assets	10,650	10,695
TOTAL ASSETS	$ 1,772,361	$ 1,590,477
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 309,755	$ 272,047
Accrued salaries and related expenses	96,593	64,575
Billings in excess of revenue earned	59,630	11,118
Total Current Liabilities	465,978	347,740
Long-term debt	200,000	200,000
Accrued retirement	26,205	25,789
Other long-term liabilities	7,473	7,495
Deferred income taxes non-current	41,648	43,110
TOTAL LIABILITIES	741,304	624,134
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY:		
Common stock, Class A $0.01 par value; 150,000,000 shares authorized; 23,761,338 and 23,396,549 shares issued at June 30, 2011 and December 31, 2010; 23,517,225 and 23,153,509 shares outstanding at June 30, 2011 and December 31, 2010	238	234
Common stock, Class B $0.01 par value; 50,000,000 shares authorized; 13,192,845 and 13,275,345 shares issued and outstanding at June 30, 2011 and December 31, 2010	132	133

Additional paid-in capital	398,360	385,407
Treasury stock, 244,113 and 243,040 shares at cost at June 30, 2011 and December 31, 2010	(9,158)	(9,114)
Retained earnings	642,770	589,838
Accumulated other comprehensive loss	(186)	(155)
Unearned Employee Stock Ownership Plan shares	(1,099)	0
TOTAL STOCKHOLDERS EQUITY	1,031,057	966,343
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 1,772,361	$ 1,590,477

See notes to condensed consolidated financial statements.

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MANTECH INTERNATIONAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In Thousands Except Per Share Amounts)

	(unaudited) Three months ended June 30, 2011	2010	(unaudited) Six months ended June 30, 2011	2010
REVENUES	$ 752,673	$ 661,611	$ 1,453,537	$ 1,249,168
Cost of services	644,647	562,306	1,244,414	1,061,872
General and administrative expenses	48,858	42,776	94,100	85,535
OPERATING INCOME	59,168	56,529	115,023	101,761
Interest expense	(3,979)	(3,598)	(7,949)	(4,595)
Interest income	59	57	123	185
Other income (expense), net	3,820	(270)	3,916	(332)
INCOME FROM OPERATIONS BEFORE INCOME TAXES	59,068	52,718	111,113	97,019
Provision for income taxes	(22,626)	(20,551)	(42,768)	(37,311)
NET INCOME	$ 36,442	$ 32,167	$ 68,345	$ 59,708
BASIC EARNINGS PER SHARE:				
Class A basic earnings per share	$ 0.99	$ 0.89	$ 1.87	$ 1.65
Weighted average common shares outstanding	23,357	22,872	23,282	22,645
Class B basic earnings per share	$ 0.99	$ 0.89	$ 1.87	$ 1.65
Weighted average common shares outstanding	13,271	13,317	13,273	13,460
DILUTED EARNINGS PER SHARE:				
Class A diluted earnings per share	$ 0.99	$ 0.88	$ 1.86	$ 1.64
Weighted average common shares outstanding	23,510	23,126	23,434	22,925
Class B diluted earnings per share	$ 0.99	$ 0.88	$ 1.86	$ 1.64
Weighted average common shares outstanding	13,271	13,317	13,273	13,460

See notes to condensed consolidated financial statements.

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MANTECH INTERNATIONAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

	(unaudited) Three months ended June 30,		(unaudited) Six months ended June 30,	
	2011	**2010**	**2011**	**2010**
NET INCOME	$ 36,442	$ 32,167	$ 68,345	$ 59,708
OTHER COMPREHENSIVE INCOME (LOSS):				
Translation adjustment, net of tax	(14)	(10)	(31)	(32)
Actuarial gain (loss) on defined benefit pension plans, net of tax	0	0	0	14
Total other comprehensive income (loss)	(14)	(10)	(31)	(18)
COMPREHENSIVE INCOME	$ 36,428	$ 32,157	$ 68,314	$ 59,690

See notes to condensed consolidated financial statements.

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MANTECH INTERNATIONAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	(unaudited) Six months ended June 30, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 68,345	$ 59,708
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	4,470	3,251
Excess tax benefits from the exercise of stock options	(236)	(502)
Gain on sale of investments	(3,745)	0
Deferred income taxes	(2,230)	4,674
Depreciation and amortization	14,391	14,176
Change in assets and liabilities net of effects from acquired businesses:		
Receivables net	(10,248)	3,017
Prepaid expenses and other	2,874	(2,177)
Accounts payable and accrued expenses	33,600	9,194
Accrued salaries and related expenses	30,960	20,624
Billings in excess of revenue earned	48,512	1,104
Accrued retirement	416	(1,160)
Other	(381)	840
Net cash flow from operating activities	186,728	112,749
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(35,938)	(3,346)
Investment in capitalized software for internal use	(3,285)	(1,835)
Proceeds from sale of investments	3,255	0
Acquisition of businesses net of cash acquired	(20,315)	(236,052)
Net cash flow from investing activities	(56,283)	(241,233)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	6,884	8,986
Excess tax benefits from the exercise of stock options	236	502
Dividends paid	(15,400)	0
Treasury stock acquired	(44)	0
Issuance of senior unsecured notes	0	200,000
Debt issuance costs	0	(4,920)
Net cash flow from financing activities	(8,324)	204,568
NET CHANGE IN CASH AND CASH EQUIVALENTS	122,121	76,084
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	84,829	86,190
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 206,950	$ 162,274
SUPPLEMENTAL CASH FLOW INFORMATION		

Cash paid for income taxes	$ 35,193	$ 28,633
Cash paid for interest	$ 7,601	$ 1,221
Noncash investing activities:		
Capital expenditures incurred but not yet paid	$ 2,858	$ 0
Noncash financing activities:		
Employee Stock Ownership Plan Contributions	$ 1,597	$ 0

See notes to condensed consolidated financial statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011

UNAUDITED

1. Introduction and Overview

ManTech International Corporation (depending on the circumstances, ManTech Company we our ours or us) is a leading provider of inno 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 space community; the National Oceanic and Atmospheric Administration; and other U.S. federal government customers. Our expertise includes Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) Lifecycle Support, Cyber Security, Global Logistics Support, Intelligence/Counter-Intelligence Support, Information Technology Modernization & Sustainment, Systems Engineering and Test & Evaluation. We support major national missions, such as military readiness, terrorist threat detection, information security and border protection. At June 30, 2011, we had approximately 10,000 highly qualified employees at various locations throughout the world.

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and note disclosures normally included in the annual financial statements, prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to those rules and regulations. We recommend that you read these unaudited condensed consolidated financial statements in conjunction with the audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, previously filed with the SEC. We believe that the unaudited condensed consolidated financial statements in this Form 10-Q reflect all adjustments that are necessary to fairly present the financial position, results of operations and cash flows for the interim periods presented. The results of operations for such interim periods are not necessarily indicative of the results that can be expected for the full year.

3. Acquisitions

Our acquisitions have been accounted for using the acquisition method of accounting under the Accounting Standards Codification (ASC) 805, *Business Combination*.

TranTech, Inc.-On February 11, 2011, we completed the acquisition of TranTech, Inc. (TranTech). The results of TranTech s operations have been included in our consolidated financial statements since that date. The acquisition was completed through a stock purchase agreement dated February 11, 2011, by and among ManTech International Corporation, TranTech and its sole shareholder.

TranTech provides information technology, networking and cyber security services to the federal government. At February 11, 2011, TranTech had 57 employees. The acquisition will allow us to continue extending our presence in the defense, security and intelligence communities, and to offer comprehensive solutions through a prime position on the Defense Information Systems Agency ENCORE II contract.

ManTech funded the acquisition with cash on hand. The purchase price of $21.5 million was allocated to the underlying assets and liabilities based on their fair values at the date of acquisition. Total assets were $23.8 million, including goodwill and intangible assets recognized in connection with the acquisition, and total liabilities were $2.3 million. Included in total assets were $5.0 million in acquired intangible assets. We have recorded goodwill of $14.6 million, which will be deductible for tax purposes over 15 years, assuming adequate levels of taxable income.

MTCSC, Inc.-On December 23, 2010, we completed the acquisition of MTCSC, Inc. (MTCSC). The results of MTCSC s operations have been included in our consolidated financial statements since that date. The acquisition was consummated pursuant to a stock purchase agreement (MTCSC Purchase Agreement) dated November 19, 2010, by and among ManTech International Corporation and MTCSC.

MTCSC provides C4ISR systems, integration, and cyber security network engineering solutions to U.S. government customers. At December 23, 2010, MTCSC had 366 employees of which approximately 90% held security clearances. The acquisition will allow us to expand our work and direct support to the United States Marine Corps.

ManTech funded the acquisition with cash on hand. The initial purchase price was $75.1 million, which may increase or decrease depending on the finalization of the post-closing working capital adjustment contemplated by the MTCSC Purchase Agreement. The MTCSC Purchase Agreement did not contain provisions for contingent consideration. Pursuant to the MTCSC Purchase Agreement, $11.3 million was placed into an escrow account to satisfy potential indemnification liabilities of the stockholders of MTCSC. The escrow period will expire 18 months after the purchase closing date.

The preliminary purchase price was allocated to the underlying assets and liabilities based on their fair values at the date of acquisition. The following information represents the preliminary purchase price allocation, as we are still in the process of working to identify potential adjustments related to the fair value of the working capital adjustment to be included in the purchase price and the fair value of the assets acquired and liabilities assumed. Total assets were $91.8 million, including goodwill and intangible assets recognized in connection with the acquisition, and total liabilities were $16.7 million. Included in total assets were $8.7 million in acquired intangible assets. We recorded $57.4 million in goodwill, which will not be deductible for tax purposes. Recognition of goodwill is largely attributed to the highly skilled employees and the value paid for companies supporting high-end defense, intelligence and homeland security market.

In allocating the purchase price, we consider among other factors, analyses of historical financial performance and estimates of future performance of MTCSC s contracts. The components of other intangible assets associated with the acquisition were customer relationships and backlog valued at $8.1 million and $0.6 million, respectively. Customer contracts and related relationships represent the underlying relationships and agreements with MTCSC 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 18.7 years.

QinetiQ North America s Security and Intelligence Solutions Business-On October 8, 2010, we completed the acquisition of certain assets of QinetiQ North America, Inc. (QNA) Security and Intelligence Solutions (S&IS) business unit. The acquisition was completed through an asset purchase agreement (S&IS Purchase Agreement) dated September 29, 2010, by and among ManTech International Corporation, QNA and certain subsidiaries of QNA.

S&IS provides integrated security solutions to the Department of Defense and the intelligence community. At October 8, 2010, S&IS had 370 employees of which approximately 93% held security clearances. The majority of these employees were hired by ManTech as part of the acquisition. The acquisition is consistent with ManTech s long-term strategy to continue extending our presence in the defense and intelligence market, allowing us to offer comprehensive solutions for the full range of security threats from physical through cyber.

ManTech funded the acquisition with cash on hand. The purchase price was $60.0 million. The S&IS Purchase Agreement did not contain provisions for contingent consideration. Pursuant to the S&IS Purchase Agreement, $1.0 million was placed into an escrow account to satisfy potential indemnification obligations of QNA. The escrow claim period expired 6 months after the purchase closing date. As of June 30, 2011, there was $0.4 million that continued to be held in the escrow account by mutual consent of the parties pending resolution of potential indemnification claims.

The purchase price was allocated to the underlying assets and liabilities based on their fair value at the date of acquisition. Total assets were $62.0 million, including goodwill and intangible assets recognized in connection with the acquisition, and total liabilities were $2.0 million. Included in total assets were $13.0 million in acquired intangible assets. We have recorded goodwill of $40.3 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 highly skilled employees and the value paid for companies supporting high-end defense, intelligence and homeland security markets.

In allocating the purchase price, we consider among other factors, analyses of historical financial performance and estimates of future performance of S&IS s contracts. The components of other intangible assets associated with the acquisition were customer relationships and backlog at $11.5 million and $1.5 million, respectively. Customer contracts and related relationships represent the underlying relationships and agreements with S&IS 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 17.9 years.

Sensor Technologies Inc.-On January 15, 2010, we completed the acquisition of all outstanding equity interest of Sensor Technologies Inc. (STI), a privately-held company. The results of STI s operations have been included in our consolidated financial statements since that date. The acquisition was consummated pursuant to a stock purchase agreement (STI Purchase Agreement), dated December 18, 2009, by and among ManTech International Corporation, STI, certain shareholders of STI and certain persons acting as a representative for the shareholders of STI.

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STI provides mission-critical systems engineering and C4ISR services and solutions to the Department of Defense. STI s largest customer was the U.S. Army through its prime position on the Strategic Services Sourcing (S3) Indefinite Delivery/Indefinite Quantity contract. At January 15, 2010, STI had 252 employees of which nearly 100% held security clearances. The acquisition of STI is consistent with our long-term strategy to broaden our footprint in the high-end defense and intelligence market and will expand our work with the Department of Defense and our direct support of the U.S. Army as it continues its overseas operations.

ManTech funded the acquisition through a combination of cash on hand and borrowings under our senior credit facility. The purchase price was $241.4 million, which included a favorable $0.6 million working capital adjustment. The STI Purchase Agreement did not contain provisions for contingent consideration. Pursuant to the STI Purchase Agreement, $24.2 million was placed into an escrow account for 18 months to satisfy potential indemnification liabilities of the shareholders of STI. At June 30, 2011, the balance in the escrow account was $15.4 million.

For the six months ended June 30, 2010, the Company incurred $0.3 million of acquisition related expenses. These expenses are included in general and administrative expense in the Company s statement of income for the related periods.

The purchase price was allocated to underlying assets and liabilities based on their estimated fair values at the date of acquisition. The purchase price allocation included goodwill and other intangible assets. Recognition of goodwill was largely attributed to the highly skilled employees of STI, their presence in the high-end defense and intelligence market place and the value paid for companies in this business. Assuming adequate levels of taxable income, the goodwill is deductible for tax purposes over 15 years. The following table represents the purchase price allocation (in thousands):

Cash and cash equivalents	$ 5,310
Receivables	69,870
Prepaid expenses and other	1,033
Property and equipment	357
Other intangibles	93,289
Other assets	65
Goodwill	143,772
Accounts payable and accrued expenses	(69,185)
Accrued salaries and related expenses	(3,087)
Other long-term liabilities	(62)
Purchase Price	$ 241,362

Pursuant to the STI Purchase Agreement, the seller has agreed to indemnify the buyer for tax liabilities arising in connection with the operation of STI s business on or before January 15, 2010 or owing by any person for which STI may be liable as a result of the transactions or circumstances occurring or existing on or before January 15, 2010. As of January 15, 2010, STI s tax liabilities were estimated to be approximately $0.8 million, resulting in related indemnification assets of $0.8 million. We collected $0.4 million from the escrow account for these indemnification assets.

In allocating the purchase price, we considered, among other factors, analyses of historical financial performance and estimates of future performance of STI s contracts. The components of other intangible assets associated with the acquisition were backlog, customer relationships and non-compete agreements valued at $7.8 million, $85.2 million and $0.3 million, respectively. Customer contracts and related relationships represent the underlying relationships and agreements with STI s existing customers. Non-compete agreements represent the estimated value of the seller not competing with the Company for 4 years. Backlog, customer relationships and non-compete agreements are amortized over their estimated useful lives of 1 year, 20 years and 4 years, respectively, using the pattern of benefits method. The weighted-average amortization period for the intangible assets is 18.4 years.

Pro Forma Financial Information-The following unaudited pro forma summary presents consolidated information of the Company as if the TranTech, MTCSC, S&IS and STI acquisitions had occurred on January 1, 2010. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisitions and related borrowings had occurred at the beginning of the period presented. The amounts have been calculated after applying the Company s accounting policies and adjusting the results of TranTech, MTCSC, S&IS and STI to reflect the additional amortization expense resulting from recognizing intangible assets, the interest expense effect of the financing necessary to complete the acquisitions and the consequential tax effects (in thousands).

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	Six months ended June 30, 2011	Six months ended June 30, 2010
Revenues	$ 1,455,140	$ 1,337,650
Net income	$ 68,813	$ 62,448

4. Earnings Per Share

Under ASC 260, *Earnings per Share*, the two-class method is an earnings allocation formula that determines earnings per share for each class of common stock according to dividends declared (or accumulated) and participation rights in undistributed earnings. Under that method, basic and diluted earnings per share data are presented for each class of common stock.

In applying the two-class method, we determined that undistributed earnings should be allocated equally on a per share basis between Class A and Class B common stock. Under the Company s Certificate of Incorporation, the holders of the common stock are entitled to participate ratably, on a share-for-share basis as if all shares of common stock were of a single class, in such dividends as may be declared by the Board of Directors. No dividend was declared in the first quarter of 2011. During the three month period ended June 30, 2011, we declared and paid a dividend of $0.42 per share on both classes of common stock. This was the first dividend declared since the Company s initial public offering in 2002.

Basic earnings per share has been computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding during each period. Shares issued during the period and shares reacquired during the period are weighted for the portion of the period in which the shares were outstanding. Diluted earnings per share has been computed in a manner consistent with that of basic earnings per share while giving effect to all potentially dilutive common shares that were outstanding during each period.

The weighted average number of common shares outstanding is computed as follows (in thousands):

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Numerator for net income per Class A and Class B common stock:				
Distributed earnings	$ 15,413	$ 0	$ 15,413	$ 0
Undistributed earnings	21,029	32,167	52,932	59,708
Net income	$ 36,442	$ 32,167	$ 68,345	$ 59,708
Numerator for basic net income Class A common stock	$ 23,238	$ 20,330	$ 43,529	$ 37,448
Numerator for basic net income Class B common stock	$ 13,204	$ 11,837	$ 24,816	$ 22,260
Numerator for diluted net income Class A common stock	$ 23,293	$ 20,413	$ 43,632	$ 37,619
Numerator for diluted net income Class B common stock	$ 13,149	$ 11,754	$ 24,713	$ 22,089
Basic weighted average common shares outstanding				
Class A common stock	23,357	22,872	23,282	22,645
Class B common stock	13,271	13,317	13,273	13,460
Effect of potential exercise of stock options				
Class A common stock	153	254	152	280
Class B common stock	0	0	0	0
Diluted weighted average common shares outstanding - Class A	23,510	23,126	23,434	22,925
Diluted weighted average common shares outstanding - Class B	13,271	13,317	13,273	13,460

For the three months ended June 30, 2011 and 2010, options to purchase 2.1 million and 1.9 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because the options effect would have been anti-dilutive. For the six months ended June 30, 2011 and 2010, options to purchase 2.0 million and 1.7 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because the options effect would have been anti-dilutive. For the six months ended June 30, 2011 and

2010, shares issued from the exercise of stock options were 0.2 million and 0.3 million, respectively.

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5. Receivables

We deliver a broad array of information technology and technical services solutions under contracts with the U.S. government, state and local governments and commercial customers. The components of contract receivables are as follows (in thousands):

	June 30, 2011	December 31, 2010
Billed receivables	$ 401,071	$ 411,018
Unbilled receivables:		
Amounts billable	132,512	103,752
Revenues recorded in excess of funding	13,282	16,508
Retainage	4,473	6,433
Allowance for doubtful accounts	(9,490)	(8,946)
Total receivables net	$ 541,848	$ 528,765

Amounts billable consists principally of amounts to be billed within the next month. Revenues recorded in excess of funding are billable upon receipt of contractual amendments or other modifications. The retainage is billable upon completion of the contract performance and approval of final indirect expense rates by the government. Accounts receivable at June 30, 2011, are expected to be substantially collected within one year except for approximately $1.7 million, of which amount 91.5% is related to receivables from sales to the U.S. government. The remainder is related to receivables from contracts in which we acted as a subcontractor to other contractors.

The Company does not believe it has significant exposure to credit risk as accounts receivable and the related unbilled amounts are primarily due from the U.S. government. The allowance for doubtful accounts represents the Company s exposure to compliance, contractual issues and bad debt related to prime contractors.

6. Property and Equipment

Major classes of property and equipment are summarized as follows (in thousands):

	June 30, 2011	December 31, 2010
Furniture and equipment	$ 77,343	$ 39,271
Leasehold improvements	22,356	21,948
	99,699	61,219
Less: Accumulated depreciation and amortization	(37,503)	(34,133)
Total property and equipment net	$ 62,196	$ 27,086

7. Goodwill and Other Intangibles

Under ASC 350, *Intangibles - Goodwill and Other*, goodwill is to be reviewed at least annually for impairment. We have elected to perform this review annually during the second quarter each calendar year. The 2011 annual review indicated no impairment and therefore resulted in no adjustments in goodwill.

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The changes in the carrying amounts of goodwill during the year ended December 31, 2010 and the period ended June 30, 2011 are as follows (in thousands):

	Goodwill Balance
Net amount at December 31, 2009	$ 488,217
Acquisition-STI	143,772
Acquisition-S&IS	40,169
Acquisition-MTCSC	57,400
Net amount at December 31, 2010	$ 729,558
Additional consideration for the acquisition of S&IS	148
Additional consideration for the acquisition of MTCSC	15
Acquisition-TranTech	14,601
Net amount at June 30, 2011	$ 744,322

Other intangible assets consisted of the following (in thousands):

	June 30, 2011			December 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets:						
Contract and program intangibles	$ 224,382	$ 66,859	$ 157,523	$ 219,382	$ 57,754	$ 161,628
Capitalized software cost for sale	3,729	3,729	0	3,729	3,729	0
Capitalized software cost for internal use	24,728	15,774	8,954	21,400	14,578	6,822
Other	58	23	35	58	21	37
Total other intangibles net	$ 252,897	$ 86,385	$ 166,512	$ 244,569	$ 76,082	