

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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2000

OR

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 1-12997

MAXIMUS, INC.

(Exact name of registrant as specified in its charter)

<TABLE>

<S>	VIRGINIA	<C>	54-1000588
	(State or other jurisdiction of incorporation or organization)		(I.R.S. Employer Identification No.)
	1356 BEVERLY ROAD		22101
	MCLEAN, VIRGINIA		(Zip Code)
	(Address of principal executive offices)		

</TABLE>

Registrant's telephone number, including area code: (703) 734-4200

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 : No 9

<TABLE>

<S>	CLASS	<C>	Outstanding at August 10, 2000
	-----		-----
	Common Shares, No Par Value		21,120,260

</TABLE>

MAXIMUS, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2000

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MAXIMUS, INC.
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

<TABLE>

<CAPTION>

	SEPTEMBER 30, 1999 -----	JUNE 30, 2000 ----- (UNAUDITED)
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$61,647	\$ 37,770
Marketable securities.....	37,235	10,864
Accounts receivable, net.....	75,865	96,078
Costs and estimated earnings in excess of billings.....	16,150	23,755
Prepaid expenses and other current assets.....	2,711	3,452
Deferred income taxes.....	2,997	2,531
	-----	-----
Total current assets.....	196,605	174,450
Property and equipment at cost:		
Land.....	2,643	2,586
Building and leasehold improvements.....	8,174	8,807
Office furniture and equipment.....	10,429	13,135
	-----	-----
	21,246	24,528
Less: Accumulated depreciation and amortization.....	(6,524)	(8,198)
	-----	-----
Total property and equipment, net.....	14,722	16,330
Software development costs.....	-	5,903
Deferred income taxes.....	363	-
Intangible assets.....	8,254	54,294
Other assets.....	3,092	2,834
	-----	-----
Total assets.....	\$223,036	\$253,811
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 10,265	\$ 9,420
Accrued compensation and benefits.....	16,119	17,499
Billings in excess of costs and estimated earnings.....	16,942	19,745
Income taxes payable.....	2,266	-
Notes payable.....	-	2,013
Other current liabilities.....	541	474
	-----	-----
Total current liabilities.....	46,133	49,151
Other liabilities.....	1,424	2,541
	-----	-----
Total liabilities.....	47,557	51,692
Shareholders' equity:		
Common stock, no par value; 60,000,000 shares authorized; 20,986,322 and 21,086,747 shares issued and outstanding at September 30, 1999 and June 30, 2000, at stated amount.....	130,518	132,378
Accumulated other comprehensive loss.....	(280)	(324)
Retained earnings.....	45,241	70,065
	-----	-----
Total shareholders' equity.....	175,479	202,119
	-----	-----
Total liabilities and shareholders' equity.....	\$223,036	\$253,811
	=====	=====

</TABLE>

See notes to consolidated financial statements.

MAXIMUS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

<TABLE>

<CAPTION>

	THREE MONTHS ENDED JUNE 30,		NINE MONTHS ENDED JUNE 30,	
	1999 ----	2000 ----	1999 ----	2000 ----
<S>	<C>	<C>	<C>	<C>
Revenues.....	\$84,168	\$105,577	\$232,804	\$288,761
Cost of revenues.....	58,467	71,832	163,594	198,166
Gross profit.....	25,701	33,745	69,210	90,595
Selling, general and administrative expenses.....	13,844	18,036	37,889	48,743
Deferred compensation, merger and ESOP expenses.....	152	210	270	210
Amortization of goodwill and other acquisition related Intangibles.....	88	1,079	88	1,724
Income from operations.....	11,617	14,420	30,963	39,918
Interest and other income.....	965	366	2,240	2,515
Income before income taxes.....	12,582	14,786	33,203	42,433
Provision for income taxes.....	5,131	6,188	13,484	17,609
Net income.....	\$ 7,451 =====	\$ 8,598 =====	\$19,719 =====	\$24,824 =====
Earnings per share:				
Basic.....	\$ 0.36 =====	\$ 0.41 =====	\$ 0.97 =====	\$ 1.18 =====
Diluted.....	\$ 0.35 =====	\$ 0.40 =====	\$ 0.95 =====	\$ 1.16 =====
Shares used in computing earnings per share:				
Basic.....	20,957 =====	21,079 =====	20,386 =====	21,039 =====
Diluted.....	21,257 =====	21,322 =====	20,731 =====	21,373 =====

</TABLE>

See notes to consolidated financial statements.

MAXIMUS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)
(UNAUDITED)

<TABLE>

<CAPTION>

	NINE MONTHS ENDED JUNE 30,	
	1999 ----	2000 ----
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income.....	\$ 19,719	\$ 24,824

Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	1,850	3,871
Change in assets and liabilities:		
Accounts receivable, net.....	(722)	(11,840)
Costs and estimated earnings in excess of billings.....	(3,393)	(5,873)
Prepaid expenses and other current assets.....	(2,029)	769
Other assets.....	918	144
Accounts payable.....	(3,011)	(1,583)
Accrued compensation and benefits.....	(2,119)	(515)
Billings in excess of costs and estimated earnings.....	3,459	933
Income taxes payable.....	(3)	(3,278)
Other liabilities.....	996	(907)
	-----	-----
Net cash provided by operating activities.....	15,665	6,545
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of real estate.....	(8,000)	-
Acquisition of businesses, net of cash acquired.....	(9,645)	(51,237)
Capitalization of software development costs.....	-	(1,425)
Purchase of property and equipment.....	(1,921)	(2,344)
(Purchase) sale of marketable securities.....	(48,722)	26,331
	-----	-----
Net cash used in investing activities.....	(68,288)	(28,675)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from secondary offering, net of expenses.....	61,024	-
S Corporation distributions	(756)	-
Issuance of common stock	694	1,860
Net (payments on) proceeds from borrowings.....	(773)	(3,606)
	-----	-----
Net cash provided by (used in) financing activities.....	60,189	(1,746)
	-----	-----
Net increase (decrease) in cash and cash equivalents.....	7,566	(23,876)
Cash flow adjustment for change in accounting period of CSI.....	31	-
Cash and cash equivalents, beginning of period.....	19,403	61,646
	-----	-----
Cash and cash equivalents, end of period.....	\$ 27,000	\$ 37,770
	=====	=====

</TABLE>

See notes to consolidated financial statements.

MAXIMUS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED JUNE 30, 2000 AND 1999
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

1. ORGANIZATION AND BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normally recurring accruals) considered necessary for a fair presentation have been included. The results of operations for the three-month and nine-month periods ended June 30, 2000 are not necessarily indicative of the results that may be expected for the full fiscal year. These financial statements should be read in conjunction with the audited financial statements as of September 30, 1999 and 1998 and for each of the three years in the period ended September 30, 1999 included in the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission.

2. SECONDARY PUBLIC OFFERING

The Company completed a secondary public offering (the "secondary offering") of common stock during December 1998. Of the 4,200,000 shares of common stock sold in the secondary offering, 2,000,000 shares were sold by MAXIMUS, Inc. generating \$61,024 in proceeds to the Company, net of offering expenses, and 2,200,000 shares were sold by selling shareholders.

3. BUSINESS COMBINATIONS AND ACQUISITIONS

On February 26, 1999, the Company issued 700,210 shares of its common

stock in exchange for all of the outstanding common stock of Control Software, Inc. ("CSI"). This combination was accounted for as a pooling of interests.

On March 31, 1999, the Company acquired all of the outstanding shares of capital stock of Norman Roberts & Associates, Inc. for \$1,930. In conjunction with the purchase, the Company recorded intangible assets of \$1,880.

On June 1, 1999, the Company acquired all of the outstanding shares of capital stock of Unison Consulting Group, Inc. for \$7,589. In conjunction with the purchase, the Company recorded intangible assets of \$6,328.

On September 30, 1999, the Company acquired all of the outstanding shares of capital stock of Network Design Group, Inc. d/b/a The Center for Health Dispute Resolution ("CHDR") for \$2,070. In conjunction with the purchase, the Company recorded intangible assets of \$827. The purchase is subject to an upward adjustment of \$1,200 if CHDR secures the renewal of a certain contract.

On October 20, 1999, the Company acquired all of the outstanding shares of capital stock of Public Systems, Inc. for \$5,000. In conjunction with the purchase, the Company recorded intangible assets of \$4,735.

On March 20, 2000, the Company acquired all of the outstanding shares of capital stock of Crawford Consulting, Inc. for \$17,500. In conjunction with the purchase, the Company recorded intangible assets of \$13,056.

On March 31, 2000, the Company acquired substantially all of the assets of the government services division of 3-G International, Inc. for \$7,000, plus an earn-out amount of up to \$3,000 to be paid by the Company

upon the achievement of certain objectives. In conjunction with the purchase, the Company recorded intangible assets of \$6,708.

On April 12, 2000, CSI-MAXIMUS, Inc., a wholly-owned subsidiary of the Company, acquired substantially all of the assets of Assetworks, Inc. for \$8,613. In conjunction with the purchase, the Company recorded intangible assets of \$8,661.

On April 14, 2000, the Company acquired all of the outstanding shares of capital stock of Valuation Resource Management, Inc. for \$4,500. In conjunction with the purchase, the Company recorded intangible assets of \$4,130.

On April 29, 2000, the Company acquired substantially all of the assets Technology Management Resources, Inc. for \$9,674. In conjunction with the purchase, the Company recorded intangible assets of \$10,036.

SFAS 133 requires disclosure of proforma results of operations information treating the results for the Company as if the companies acquired by the purchase method were acquired at the beginning of the periods being reported. The proforma results of operations are:

<TABLE>

<CAPTION>

	NINE MONTHS ENDED JUNE 30,	
	1999	2000
	-----	----
<S>	<C>	<C>
Revenue.....	\$ 273,921	\$ 310,510
Net Income.....	16,440	22,550
Earnings per share (diluted).....	\$ 0.79	\$ 1.06

</TABLE>

All of the companies involved in the mergers described above are involved primarily in consulting services for state and local governments.

4. COMMITMENTS AND CONTINGENCIES

On November 28, 1997, an individual who was a former officer, director and shareholder of the Company filed a complaint in the United States District Court for the District of Massachusetts alleging that, at the time he resigned from the Company in 1996, thereby triggering the repurchase of his shares, the Company and certain of its officers and directors had failed to disclose to him material information relating to the potential value of the shares. He further alleges that the Company and its officers and directors violated Sections 10(b) and 20(a) of the Securities and Exchange Act of 1934 and breached various fiduciary duties owed to him and claims damages in excess of \$10 million. This matter is currently scheduled for trial on September 11, 2000. The Company believes these claims are without merit and intends to defend the matter vigorously. Although there can be no assurance of a favorable outcome, the

Company does not believe that this action will have a material adverse effect on the Company's financial condition or results of operations and has not accrued for any loss related to this action.

On May 12, 1998, the Company acquired David M. Griffith & Associates, Ltd. ("DMG"), which was subsequently merged into DMG-MAXIMUS, Inc. ("DMG-MAXIMUS"), a wholly-owned subsidiary of MAXIMUS. A consolidated legal action was brought against DMG-MAXIMUS and thirteen other named defendants in the U.S. District Court for the District of Arizona by Superstition Mountains Community Facilities District No. 1 (the "District") and Allstate Insurance Company ("Allstate"), alleging that DMG made false and misleading representations in the reports DMG prepared as a consultant to underwriters of revenue bonds issued by the District and purchased by Allstate. On May 12, 2000, DMG-MAXIMUS agreed to a confidential settlement agreement with the District and Allstate. The settlement amount is not material and will not have an adverse effect on the Company's financial condition or results of operations.

In January 2000, the New York City Human Resources Administration ("HRA") submitted two contracts that it had awarded to the Company for welfare-to-work services to the Comptroller of New York City (the

"Comptroller") to be registered. Under New York law, the contracts must be registered in order for the Company to receive payment. However, the Comptroller refused to register the contracts, alleging improprieties in the procurement process and in the Company's conduct. The Mayor of the City of New York (the "Mayor") and HRA disagreed with the Comptroller's assertions and, in March 2000, sued the Comptroller in the Supreme Court of the State of New York - New York County (the "Court"), seeking to require the Comptroller to register the contracts. On April 13, 2000, the Court issued a decision and judgment holding that the Comptroller has a mandatory duty to register the contracts. However, as a matter of judicial discretion, the Court refused to require registration, finding that the Comptroller had established that the procurement process had been corrupted. This decision was appealed by the Mayor and HRA to the New York Supreme Court Appellate Division - First Department (the "Appellate Division"). On April 24, 2000, the Company filed a motion in the Appellate Division to intervene in the lawsuit. The Company asked that the Court's decision be set aside on the grounds that it contained findings of fact against the Company not supported by the record and that the Court failed to afford the Company with its constitutional rights to notice of a hearing and an opportunity to be heard. The Appellate Division heard the appeal on June 13, 2000, but has not yet issued a decision. This matter is also the subject of investigations being conducted by certain governmental agencies. The District Attorney's Office of New York County and the United States Attorney's Office for the Southern District of New York, in response to requests made by the Comptroller, are investigating the facts underlying this matter. Both offices issued subpoenas for documents to the Company in early May 2000. The Company believes the Comptroller's claims are without merit and intends to continue defending against his allegations vigorously. MAXIMUS believes that its actions were lawful and appropriate and continues to cooperate fully with the governmental reviews of the matter. Although there can be no assurance of a favorable outcome, the Company does not believe that this matter will have a material adverse effect on the Company's financial condition or results of operations.

The Company also is involved in various other legal proceedings in the ordinary course of business. In the opinion of management, these proceedings involve amounts that would not have a material effect on the financial position or results of operations of the Company if such proceedings were resolved in an unfavorable manner to the Company.

5. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

<TABLE>

<CAPTION>

	THREE MONTHS ENDED JUNE 30,		NINE MONTHS ENDED JUNE 30,	
	1999	2000	1999	2000
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Numerator:				
Net income.....	\$ 7,451	\$ 8,598	\$19,719	\$24,824
Denominator:				
Denominator for basic earnings per share:				
Weighted average shares outstanding....	20,957	21,079	20,386	21,039
Stock options.....	300	243	345	334
	-----	-----	-----	-----
Denominator for dilutive earnings per share..	21,257	21,322	20,731	21,373

Earnings per share:	=====	=====	=====	=====
Basic.....	\$ 0.36	\$ 0.41	\$ 0.97	\$ 1.18
	=====	=====	=====	=====
Diluted.....	\$ 0.35	\$ 0.40	\$ 0.95	\$ 1.16
	=====	=====	=====	=====

</TABLE>

6. SEGMENT INFORMATION

The following table provides certain financial information for each business segment:

<TABLE>

<CAPTION>

Revenues:	THREE MONTHS ENDED JUNE 30,		NINE MONTHS ENDED JUNE 30,	
	1999	2000	1999	2000
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Government Operations.....	\$ 47,427	\$ 55,629	\$128,788	\$160,839
Consulting.....	36,741	49,948	104,016	127,922
	-----	-----	-----	-----
Total.....	\$ 84,168	\$105,577	\$232,804	\$288,761
	=====	=====	=====	=====
Income From Operations:				
Government Operations.....	\$ 4,772	\$ 6,516	\$ 11,767	\$ 18,085
Consulting.....	6,845	7,904	19,196	21,833
	-----	-----	-----	-----
Total.....	\$ 11,617	\$ 14,420	\$ 30,963	\$ 39,918
	=====	=====	=====	=====

</TABLE>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company provides program management and consulting services primarily to government agencies in the United States. Founded in 1975, the Company has been profitable every year since inception. The Company conducts its operations through two groups, the Government Operations Group and the Consulting Group. The Government Operations Group administers and manages government health and human services programs, including welfare-to-work and job readiness, child support enforcement, managed care enrollment and disability services. The Consulting Group provides consulting services to state, county and local legislatures and government agencies, including health and human services, law enforcement, parks and recreation, taxation, housing, motor vehicles, labor and education.

As an important part of the Company's growth strategy, it has completed combinations with the following firms: Spectrum Consulting Group, Inc. and Spectrum Consulting Services, Inc. (collectively, "Spectrum") in March 1998, David M. Griffith & Associates, Ltd. ("DMG") in May 1998, Carrera Consulting Group ("Carrera") and Phoenix Planning & Evaluation, Ltd. ("Phoenix") in August 1998, Control Software, Inc. ("CSI") in February 1999, Norman Roberts & Associates, Inc. ("Roberts") in March 1999, Unison Consulting Group, Inc. ("Unison") in June 1999, Network Design Group, Inc. dba The Center for Health Dispute Resolution ("CHDR") in September 1999, Public Systems, Inc. ("PSI") in October 1999, Crawford Consulting, Inc. ("Crawford") in March 2000, and Valuation Resource Management, Inc. ("VRM") in April 2000. Additionally, the Company acquired substantially all of the assets of the government services division of 3-G International, Inc. ("3GI") in March 2000, and of AssetWorks, Inc. ("AssetWorks") and Technology Management Resources, Inc. ("TMR") in April 2000. Spectrum, DMG, Carrera, Phoenix and CSI were each accounted for as a pooling of interests combination. Roberts, Unison, CHDR, PSI, Crawford, 3GI, AssetWorks, VRM and TMR were each accounted for as a purchase. See "Business Combinations and Acquisitions" below. Prior year amounts have been restated to reflect the combinations with DMG and CSI. The Spectrum, Carrera and Phoenix combinations

were accounted for as immaterial poolings of interests and, accordingly, the

Company's previously issued financial statements were not restated to reflect these combinations.

The Company's revenues are generated from contracts with various payment arrangements, including: (i) costs incurred plus a fixed fee ("cost-plus"); (ii) fixed-price; (iii) performance-based criteria; and (iv) time and materials reimbursement (utilized primarily by the Consulting Group). For the fiscal year ended September 30, 1999, revenues from these contract types were approximately 25%, 37%, 19% and 19%, respectively, of total revenues. Traditionally, federal government contracts have been cost-plus and a majority of the contracts with state and local government agencies have been fixed-price and performance-based. Fixed price and performance-based contracts generally offer higher margins but typically involve more risk than cost-plus or time and materials reimbursement contracts because the Company is subject to the risk of potential cost overruns or inaccurate revenue estimates.

The Government Operations Group's contracts generally contain base periods of one or more years as well as one or more option periods that may cover more than half of the potential contract duration. As of September 30, 1999, the Company's average Government Operations contract duration was 2 3/4 years. The Company's Consulting Group contracts have performance periods of one month to in excess of two years.

The Company's most significant expense is cost of revenues, which consists primarily of project related employee salaries and benefits, subcontractors, computer equipment and travel expenses. The Company's ability to accurately predict personnel requirements, salaries and other costs as well as to effectively manage a project or achieve certain levels of performance can have a significant impact on the service costs related to the Company's fixed price and performance-based contracts. Service cost variability has little impact on cost-plus arrangements because allowable costs are reimbursed by the client. The profitability of the Consulting Group's contracts is largely dependent upon the utilization rates of its consultants and the success of its performance-based contracts.

Selling, general and administrative expenses consist of management, marketing and administration costs including salaries, benefits, travel, recruiting, continuing education and training, facilities costs, printing, reproduction, communications and equipment depreciation.

BUSINESS COMBINATIONS AND ACQUISITIONS

As part of its growth strategy, the Company expects to continue to pursue complementary business combinations to expand its geographic reach, expand the breadth and depth of its services and enhance the Company's consultant customer base. The Company combined with four consulting firms during fiscal 1999, one of which was accounted for as a pooling of interests, and three firms during the first three quarters of fiscal 2000, each accounted for as a purchase. Additionally, the Company acquired substantially all of the assets of two firms and a division of another during the first three quarters of fiscal 2000.

On February 26, 1999, the Company acquired all of the outstanding shares of capital stock of CSI in exchange for 700,210 shares of common stock. CSI, based in Wayne, Pennsylvania, provides fleet management software and related services to public sector entities. At the time of the combination, CSI had 46 employees.

On March 31, 1999, the Company acquired all of the outstanding shares of capital stock of Roberts for \$1,930,000. Roberts, based in Los Angeles, California, provides executive search services for the public sector. In connection with the purchase, the Company recorded intangible assets of \$1,880,000. At the time of the combination, Roberts had 18 employees.

On June 1, 1999, the Company acquired all of the outstanding shares of capital stock of Unison for \$7,589,000. Unison, based in Chicago, Illinois, provides financial consulting for major government owned airports. In connection with the purchase, the Company recorded intangible assets of \$6,328,000. At the time of the combination, Unison had 39 employees.

On September 30, 1999, the Company acquired all of the outstanding shares of capital stock of CHDR

for \$2,070,000. CHDR, based in Rochester, New York, is the sole national provider of external reviews for Medicare beneficiaries enrolled in HMOs. In connection with the purchase, the Company recorded intangible assets of \$827,000. The purchase is subject to an upward adjustment of \$1,200,000 if CHDR secures the renewal of a certain contract. At the time of the combination, CHDR had 35 employees.

On October 20, 1999, the Company acquired all of the outstanding shares of capital stock of PSI for \$5,000,000. PSI, based in Wilmington, Delaware, provides client-server and internet-enabled case management systems to

government customers. In connection with the purchase, the Company recorded intangible assets of \$4,735,000. At the time of the combination, PSI had 26 employees.

On March 20, 2000, the Company acquired all of the outstanding shares of capital stock of Crawford for \$17,500,000. Crawford, based in Canton, Ohio, provides web-enabled information systems and consulting services for state and local government courts and justice agencies. In connection with the purchase, the Company recorded intangible assets of \$13,056,000. At the time of the combination, Crawford had 101 employees.

On March 31, 2000, the Company acquired substantially all of the assets of the government services division of 3GI for \$7,000,000, plus an earn-out amount of up to \$3,000,000 to be paid by the Company upon the achievement of certain objectives. The division of 3GI acquired by MAXIMUS is based in Springfield, Virginia and provides integration services of smart card systems for the public and commercial sectors. In connection with the purchase, the Company recorded intangible assets of \$6,708,000. At the time of the acquisition, the Government Services division of 3GI had 90 employees.

On April 12, 2000, CSI-MAXIMUS, Inc., a wholly-owned subsidiary of the Company ("CSI-MAXIMUS") acquired substantially all of the assets of AssetWorks for \$8,613,000. AssetWorks, based in San Antonio, Texas, provides infrastructure management systems for federal, state and local government, universities and K-12 educational systems. In connection with the purchase, the Company recorded intangible assets of \$8,661,000. At the time of the acquisition, AssetWorks had 50 employees.

On April 14, 2000, the Company acquired all of the outstanding shares of capital stock of VRM for \$4,500,000. VRM, based in Irving, Texas, provides asset inventorying and valuation services to governments. In connection with the purchase, the Company recorded intangible assets of \$4,130,000. At the time of the combination, VRM had 80 employees.

On April 29, 2000, the Company acquired substantially all of the assets of TMR from SCB Computer Technologies, Inc. for \$9,674,000. TMR, based in Omaha, Nebraska, provides operations, consulting services and web-based technology for child support collections programs for state and local governments. In connection with the purchase, the Company recorded intangible assets of \$10,036,000. At the time of the acquisition, TMR had 125 employees.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, selected statements of income data as a percentage of revenues:

<TABLE>

<CAPTION>

	THREE MONTHS ENDED JUNE 30,		NINE MONTHS ENDED JUNE 30,	
	1999 ----	2000 ----	1999 ----	2000 ----
<S>	<C>	<C>	<C>	<C>
Revenues:				
Government Operations Group.....	56.3%	52.7%	55.3%	55.7%
Consulting Group.....	43.7	47.3	44.7	44.3
	-----	-----	-----	-----
Total revenues.....	100.0	100.0	100.0	100.0
Gross Profit:				
Government Operations Group.....	20.0	22.9	19.3	22.5
Consulting Group.....	44.1	42.1	42.6	42.5
Total gross profit as a percent of revenue	30.5	32.0	29.7	31.4
Selling, general and administrative expenses	16.4	17.1	16.3	16.9
Deferred compensation, merger and ESOP Expenses.....	0.2	0.2	0.1	0.1
Amortization of goodwill and other Acquisition related intangibles.....	0.1	1.0	0.0	0.6
	-----	-----	-----	-----
Income from operations.....	13.8	13.7	13.3	13.8
Interest and other income.....	1.1	0.3	1.0	0.9
	-----	-----	-----	-----
Income before income taxes.....	14.9	14.0	14.3	14.7
Provision for income taxes.....	6.1	5.9	5.8	6.1
	-----	-----	-----	-----
Net income.....	8.8	8.1	8.5	8.6
	=====	=====	=====	=====

</TABLE>

THREE MONTHS ENDED JUNE 30, 2000 COMPARED TO THREE MONTHS ENDED JUNE 30, 1999

REVENUES. Total revenues increased 25.4% to \$105.6 million for the three months ended June 30, 2000 from \$84.2 million for the same period in 1999. Government Operations Group revenues increased 17.3% to \$55.6 million for the three months ended June 30, 2000 from \$47.4 million for the same period in 1999. This increase was primarily due to an increase in the number of contracts in three of the four divisions in the Government Operations Group, and the contribution of \$4.0 million of revenue the 2000 quarter from CHDR and TMR, which were both acquired after the quarter ended June 30, 1999. Consulting Group revenues increased 35.9% to \$49.9 million for the three months ended June 30, 2000 from \$36.7 million for the same period in 1999. Approximately \$8.8 million of the \$13.2 million increase in the Consulting Group revenues were revenues from PSI, Crawford, 3GI and AssetWorks, which companies were acquired after the quarter ended June 30, 1999. The remainder of the increased revenues was the result of an increase in the number of contracts in the Consulting Group.

GROSS PROFIT. Total gross profit increased 31.3% to \$33.7 million for the three months ended June 30, 2000 from \$25.7 million for the same period in 1999. Government Operations Group gross profit increased 34.1% to \$12.7 million for the three months ended June 30, 2000 from \$9.5 million for the three months ended June 30, 1999. As a percentage of Government Operations Group revenues, Government Operations Group gross profit increased to 22.9% for the three months ended June 30, 2000 from 20.0% for the same period in 1999. The increase was primarily due to improved margins on certain projects in two of the four divisions of the Government Operations Group. The Consulting Group gross profit increased 29.6% to \$21.0 million for the three months ended June 30, 2000 from \$16.2 million for the same period in 1999 due to the increased revenues offset

by a decreased gross profit percentage. As a percentage of Consulting Group revenues, Consulting Group gross profit decreased to 42.1% for the three months ended June 30, 2000 from 44.1% for the same period in 1999, primarily due to reduced margins on a few projects in four divisions within the Group.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Total selling, general and administrative ("SG&A") expenses increased 30.3% to \$18.0 million for the three months ended June 30, 2000 from \$13.8 million for the same period in 1999. The increase in SG&A expenses was due to the increased size of the Company in terms of revenue, generated from both internal growth and from acquisitions which is reflected in the increase in the number of employees to 4,100 at June 30, 2000 from 3,155 at June 30, 1999. As a percentage of revenues, SG&A expenses increased to 17.1% for the three months ended June 30, 2000 from 16.4% for the same period in 1999, primarily due to an increase in the number of personnel and capability of the Government & Investor Relations unit and the Information Services unit.

AMORTIZATION OF GOODWILL AND OTHER ACQUISITION-RELATED INTANGIBLES. In the quarter ended June 30, 2000, the Company incurred \$1.1 million of amortization expense related to the \$56.4 million of goodwill and other acquisition-related intangible assets it recorded in connection with the acquisitions of Roberts, Unison, CHDR, PSI, Crawford, 3GI, AssetWorks, VRM and TMR.

INTEREST AND OTHER INCOME. The decrease in interest and other income to \$0.4 million for the three months ended June 30, 2000 as compared to \$1.0 million for the same period in 1999 was due to a decrease in the average balance of invested funds due to the use of cash for business acquisitions discussed above (see "Business Combinations and Acquisitions.")

PROVISION FOR INCOME TAXES. The provision for income tax for the three months ended June 30, 2000 was 41.9% of income before income taxes as compared to 40.8% for the three months ended June 30, 1999. The increase in percentages was due to an increase in the amounts of certain expense items, primarily amortization of intangible assets, some of which are not deductible for tax purposes.

NINE MONTHS ENDED JUNE 30, 2000 COMPARED TO NINE MONTHS ENDED JUNE 30, 1999

REVENUES. Total revenues increased 24.0% to \$288.8 million for the nine months ended June 30, 2000 from \$232.8 million for the same period in 1999. Government Operations Group revenues increased 24.9% to \$160.8 million for the nine months ended June 30, 2000 from \$128.8 million for the same period in 1999. This increase was primarily due to an increase in the number of contracts in all four divisions in the Government Operations Group and the contribution of \$5.2 million of revenue during the nine months ended June 30, 2000 from CHDR and TMR, which were both acquired subsequent to June 30, 1999. Consulting Group revenues increased 23.0% to \$127.9 million for the nine months ended June 30, 2000 from \$104.0 million for the same period in 1999. Approximately \$18.1 million of the \$23.9 million increase in the Consulting Group revenues were revenues from Unison, PSI, Crawford, 3GI and VRM, which companies were acquired after

the start of the nine month period ended June 30, 1999. The remainder of the increased revenues was the result of an increase in the number of contracts in the Consulting Group.

GROSS PROFIT. Total gross profit increased 30.9% to \$90.6 million for the nine months ended June 30, 2000 from \$69.2 million for the same period in 1999. Government Operations Group gross profit increased 45.5% to \$36.2 million for the nine months ended June 30, 2000 from \$24.9 million for the nine months ended June 30, 1999. As a percentage of Government Operations Group revenues, Government Operations Group gross profit increased to 22.5% for the nine months ended June 30, 2000 from 19.3% for the same period in 1999. The increase was due to improved margins in three of the four divisions of the Government Operations Group. That increase was offset by the incurrence of costs related to two contracts with the City of New York for which no revenue was recognized due to disputes regarding the registration of the contracts. See "Legal Proceedings." The Consulting Group gross profit increased 22.7% to \$54.3 million for the nine months ended June 30, 2000 from \$44.3 million for the same period in 1999 closely paralleling the increase in Consulting Group Revenues.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Total SG&A expenses increased 28.6% to \$40.7 million

for the nine months ended June 30, 2000 from \$37.9 million for the same period in 1999. The increase in SG&A expenses was due to the increased size of the Company in terms of revenue, generated from both internal growth and from acquisitions, and in the increase in the number of employees to 4,100 at June 30, 2000 from 3,155 at June 30, 1999. As a percentage of revenues, SG&A expenses increased to 16.9% for the nine months ended June 30, 2000 from 16.3% for the same period in 1999, primarily due to the increase in the number of personnel and capability of the Government & Investor Relations unit and the Information Services unit, offset by the receipt of \$819,000 from the settlement of a legal action in the second quarter of fiscal year 2000.

AMORTIZATION OF GOODWILL AND OTHER ACQUISITION-RELATED INTANGIBLES. In the nine months ended June 30, 2000, the Company incurred \$1.7 million of amortization expense related to the \$56.4 million of goodwill and other acquisition-related intangible assets it recorded in connection with the acquisitions of Roberts, Unison, CHDR, PSI, Crawford, 3GI, AssetWorks, VRM and TMR.

INTEREST AND OTHER INCOME. The increase in interest and other income to \$2.5 million for the nine months ended June 30, 2000 as compared to \$2.2 million for the same period in 1999 was due to an increase in the average interest rates earned on invested funds and to an increase in the amount of average invested funds.

PROVISION FOR INCOME TAXES. The provision for income tax for the nine months ended June 30, 2000 was 41.5% of income before income taxes as compared to 40.6% for the nine months ended June 30, 1999. The difference in percentages was due to an increase in the amounts of certain expense items, primarily amortization of intangible assets, some of which are not deductible for tax purposes.

LIQUIDITY AND CAPITAL RESOURCES

For the nine months ended June 30, 2000, cash provided by operations was \$6.5 million as compared to cash provided by operations of \$15.7 million for the nine months ended June 30, 1999. The primary reason for the decrease in cash provided by operations was the increase in accounts receivable of \$11.8 million during the nine months ended June 30, 2000 compared to a much smaller increase in accounts receivable of \$0.7 million during the nine months ended June 30, 1999. Accounts receivable at June 30, 2000 total \$96.1 million compared to \$74.0 million at June 30, 1999, an increase of 29.8% which reflects the revenue growth from the June, 1999 quarter to the June, 2000 quarter of 25.4%. Measured in days of sales outstanding ("DSOs"), the amounts of accounts receivable represent 83 and 80 days of sales at June 30, 2000 and June 30, 1999, respectively. The other major factor affecting cash flow from operations during the nine months ended June 30, 2000 is the increase in costs and estimated earnings in excess of billings (unbilled accounts receivable) of \$5.9 million. Measured in DSOs, these assets have increased to \$23.8 million and 20 DSOs at June 30, 2000 from \$14.0 million and 15 DSOs at June 30, 1999. The increase in the amount of accounts receivable, billed and unbilled, of 8 DSOs is primarily due to the increase in the mix of Consulting Group revenues from 43.7% of the total revenues for the three months ended June 30, 1999 to 47.3% for the three months ended June 30, 2000. The Consulting Group accounts receivable, both billed and unbilled, have historically averaged significantly higher levels than the Government Operations Group, and recent Consulting Group acquisitions carried similarly high levels of accounts receivables.

For the nine months ended June 30, 2000, cash used in investing activities was \$28.7 million as compared to \$68.3 million for the nine months ended June 30, 1999. During the nine months ended June 30, 2000, the Company

used \$51.2 million in cash for the acquisition of businesses, \$2.4 million in cash for the purchase of property and equipment, and \$1.4 million in cash for capitalized software development costs, and generated cash from sales of marketable securities totaling \$26.3 million. Cash used in investing activities for the nine months ended June 30, 1999 primarily consisted of the purchase of marketable securities totaling \$48.7 million with the proceeds from the secondary offering which occurred in December 1998, the purchase of property and equipment totaling \$9.9 million and the acquisition of businesses totaling \$9.6 million.

Cash used in financing activities during the nine months ended June 30, 2000 was \$1.7 million, which consisted of payments on borrowings of \$3.6 million offset by sales of stock totaling \$1.9 million to employees through the Company's employee stock purchase plan and equity incentive plan. During the nine months ended June 30, 1999, cash provided by financing activities consisted primarily of the proceeds of \$61.0 million from the

secondary offering.

Management believes that the Company will have sufficient resources to meet its cash needs over the next 12 months, which may include start-up costs associated with new contract awards, obtaining additional office space, establishing new offices, investment in upgraded systems infrastructure or acquisitions of other businesses and technologies. Cash requirements beyond the next 12 months will depend on the Company's profitability, its ability to manage working capital requirements, its rate of growth, the amounts spent on business acquisitions, if any, and the leasing of new office space, if any.

FORWARD LOOKING STATEMENTS

Statements that are not historical facts, including statements about the Company's confidence and strategies and the Company's expectations regarding its ability to obtain future contracts, expand its market opportunities or attract highly-skilled employees are forward looking statements that involve risks and uncertainties. These risks and uncertainties include legislative changes and political developments adverse to the privatization of the provision of government services; risks related to completed or future acquisitions; opposition from government employee unions; reliance on key executives; impact of competition from similar companies; and legal, economic and other risks detailed in Exhibit 99 to this Quarterly Report on Form 10-Q for the period ended June 30, 2000.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company believes that its exposure to market risk related to the effect of changes in interest rates, foreign currency exchange rates, commodity prices and equity prices on instruments entered into for trading and other purposes is immaterial.

PART II. OTHER INFORMATION.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits. The Exhibits filed as part of this Form 10-Q are listed on the Exhibit Index immediately preceding such Exhibits, which Exhibit Index is incorporated herein by reference.

(b) Reports on Form 8-K. No Current Reports on Form 8-K were filed by the Company during the fiscal quarter ended June 30, 2000.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MAXIMUS, INC.

Date: August 14, 2000

By: /s/ F. ARTHUR NERRET

F. Arthur Nerret
Vice President, Finance, Chief Financial
Officer (Principal Financial Officer and
Principal Accounting Officer)

EXHIBIT INDEX

<TABLE>

<CAPTION>

EXHIBIT NO.	DESCRIPTION
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<S>	<C> Amended and Restated Articles of Incorporation, as amended. Filed herewith.
	Executive Employment, Non-compete and Confidentiality Agreement by and between the Company and James M. Paulits. Filed herewith.
27	Financial Data Schedules (EDGAR only)
99	Important Factors Regarding Forward Looking Statements. Filed herewith.

</TABLE>

MAXIMUS, INC.
ARTICLES OF AMENDMENT
OF
AMENDED AND RESTATED
ARTICLES OF INCORPORATION

Pursuant to Section 13.1-710 of the Stock Corporation Act under Chapter 9 of the Code of Virginia, as amended, the undersigned certifies as follows:

1. The name of the Corporation is MAXIMUS, Inc.
2. The first sentence of Article SECOND of the Amended and Restated Articles of Incorporation of the corporation is hereby deleted and replaced with the following sentence:
"The Corporation is authorized to issue 60,000,000 Shares of Common Stock."

3. This amendment was adopted by the Board of Directors of the Corporation at a meeting held on November 16, 1999 and submitted for approval by the Shareholders of the Corporation at the 2000 Annual Meeting of Shareholders held on February 23, 2000 in accordance with Chapter 9 of the Code of the Commonwealth of Virginia (the "Meeting"). At the Meeting, holders of 19,406,116 shares of the Common Stock of the Corporation were present in person or represented by proxy, which such holders represented a majority in interest of all of the 21,008,709 shares of the Corporation's Common Stock issued and outstanding on the record date of the Meeting and thereby constituted a quorum for consideration of the adoption of this amendment. The Shareholders of the Corporation approved this amendment by a vote of 18,914,305 shares voting "for," 467,399 shares voting "against" and 24,412 shares voting to abstain. No shares of any other class of stock were outstanding and entitled to vote.

MAXIMUS, Inc.

By: /s/ F. ARTHUR NERRET

Name: F. Arthur Nerret
Title: Vice President, Finance

EXHIBIT

AMENDED AND RESTATED
ARTICLES OF INCORPORATION

OF

MAXIMUS, INC.

The undersigned, pursuant to Section 13.1-711 of the Stock Corporation Act under Chapter 9 of Title 13.1 of the Code of Virginia, states as follows:

FIRST: The name of the Corporation is MAXIMUS, Inc.

SECOND: The Corporation is authorized to issue 30,000,000 shares of Common Stock.

The preemptive rights granted by Section 13.1-651 of the Virginia Stock Corporation Act, or any other provision of law, are expressly denied to any Shareholder of this Corporation.

Subject to the provisions of any applicable law or of the by-laws of the Corporation, as from time to time amended, the holders of outstanding shares of Common Stock shall have exclusive voting rights for the election of directors and for all other purposes, each holder of record of shares of Common Stock being entitled to one vote for each share of Common Stock standing in his name on the books of the Corporation.

The holders of Common Stock shall be entitled to receive such dividends from time to time as may be declared by the Board of Directors out of any funds of the Corporation legally available for the payment of such dividends.

In the event of the liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary, the holders of Common Stock shall be entitled to share ratably according to the number of shares of Common stock held by them in all assets of the Corporation available for distribution to its Shareholders.

Subject to the provisions of these Articles of Incorporation and except as otherwise provided by law, the shares of stock of the Corporation, regardless of class, may be issued for such consideration and for such corporate purposes as the Board of Directors may from time to time determine.

THIRD: The rights granted by Section 13.1-728 of the Virginia Stock Corporation Act, or any other provision of law pertaining to Control Share Acquisitions shall not apply to the Corporation.

FOURTH: The Affiliated Transactions Article, also known as Section 13.1-725 et seq. of the Virginia Stock Corporation Act shall not apply to the Corporation.

FIFTH: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Virginia Stock Corporation Act.

SIX: The address of the registered office of the Company in the Commonwealth of Virginia is 1356 Beverly Road, McLean, Virginia in the County of Fairfax. The name of its registered agent at such address is David V. Mastran. Mr. Mastran is a director and resident of the Commonwealth of Virginia.

SEVENTH: The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation:

1. Any vote or votes authorizing liquidation of the Corporation or proceedings for its dissolution may provide, subject to the rights of creditors and the rights expressly provided for particular classes or series of stock, for the distribution among the Shareholders of the Corporation of the assets of the Corporation as provided herein, wholly or in part or in kind, whether such assets be in cash or other property, and may authorize the Board of Directors of the Corporation to determine the valuation of the different assets of the Corporation for the purpose of such liquidation and may divide or

authorize the Board of Directors to divide such assets or any part thereof among the Shareholders of the Corporation, in such manner that every Shareholder will receive a proportionate amount in value (determined as provided herein) of cash or property of the Corporation upon such liquidation or dissolution even though each Shareholder may not receive a strictly proportionate part of each such asset.

2. If at any time the Corporation shall have a class of stock

registered pursuant to the provisions of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), for so long as such class is registered, the directors shall be divided into three classes, as nearly equal in number as the then total number of directors constituting the entire Board permits, with the term of office of one class expiring each year. The initial Class I directors elected by the Shareholders of the Corporation shall hold office for a term expiring at the first annual meeting of Shareholders after such registration of the Company's Stock; the initial Class II directors elected by the Shareholders of the Corporation shall hold office for a term expiring at the second annual meeting of Shareholders after such registration of the Company's Stock; and the initial Class III directors elected by the Shareholders of the Corporation shall hold office for a term expiring at the third annual meeting of Shareholders after such registration of the Company's Stock. At each such annual meeting of Shareholders and at each annual meeting thereafter, successors to the class of directors whose term expires at that meeting shall be elected for a term expiring at the third annual meeting following their election and until their successors shall be elected and qualified, subject to prior death, resignation, retirement or removal. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, but in no event will a decrease in the number of directors shorten the term of any incumbent director. This Section 2 of Article SEVENTH may not be amended, revised or revoked, in whole or in part, except by the affirmative vote of the holders of 80% of the voting power of the shares of all classes of stock of the Corporation entitled to vote for the election of directors, considered for the purposes of this Article SEVENTH as one class of stock.

3. Each director chosen to fill a vacancy in the Board of Directors shall be elected to complete the term of office of the director who is being succeeded. In the case of any election of a new director to fill a directorship created by an enlargement of the Board, the Board shall in such election assign the class of directors to which such additional director is being elected, and each director so elected shall hold office for the same term as the other members of the class to which the director is assigned.

4. At any special meeting of the Shareholders called at least in part for the purpose, any director or directors may, by the affirmative vote of the holders of at least a majority of the stock entitled to vote for the election of directors, be removed from office for cause. Upon the registration of the Company's Stock under the Exchange Act, and as long as so registered, the provisions of this subsection shall be the exclusive method for the removal of directors. This Section 4 of Article SEVENTH may not be amended, revised or revoked, in whole or in part, except by the affirmative vote of the holders of 80% of the voting power of the shares of all classes of stock of the Corporation entitled to vote for the election of directors, considered for the purposes of this Article SEVENTH as one class of stock.

5. The Corporation shall indemnify (A) its directors and officers, whether serving the Corporation or at its request any other entity, to the full extent required or permitted by the Virginia Stock Corporation Act now or hereafter in force, including the advance of expenses under the procedures and to the full extent permitted by law and (B) other employees and agents to such extent as shall be authorized by the Board of Directors or the Corporation's by-laws and be permitted by law. The foregoing rights of indemnification shall not be exclusive of any other rights to which those seeking indemnification may be entitled. The Board of Directors may take such action as is necessary to carry out these indemnification provisions. No amendment of the charter of the Corporation or repeal of any of its provisions shall limit or eliminate the right to indemnification provided hereunder with respect to acts or omissions occurring prior to such amendment or repeal.

6. A director of the Corporation shall not be personally liable to the Corporation or its Shareholders for monetary damages for breach of fiduciary duty as a director, to the fullest extent permitted by Section 13.1-692.1(B) of the Virginia Stock Corporation Act or any other provisions of

applicable law. If the Virginia Stock Corporation Act is amended after approval by the Shareholders of this Article SEVENTH to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Virginia Stock Corporation Act as so amended from time to time.

Any repeal or modification of this Article SEVENTH shall not increase the personal liability of any director of this Corporation for any act or occurrence taking place before such repeal or modification, nor otherwise adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

8. Meetings of Shareholders may be held anywhere within or without the Commonwealth of Virginia. The books of the Corporation may be kept outside the Commonwealth of Virginia at such place or places as may be designated from time to time by the Board of Directors or in the by-laws of the Corporation.

EIGHTH: If at any time the Corporation shall have a class of stock registered pursuant to the provisions of the Exchange Act, for so long as such class is registered, no action required to be taken or that may be taken at any annual or special meeting of Shareholders of the Corporation may be taken by written consent without a meeting, and the power of Shareholders to consent in writing, without a meeting, to the taking of any action shall be specifically denied.

This Article EIGHTH may not be amended, revised or revoked, in whole or in part, except by the affirmative vote of the holders of 80% of the voting power of the shares of all classes of stock of the Corporation entitled to vote for the election of directors, considered for the purposes of this Article EIGHTH as one class of stock.

NINTH: The Corporation reserves the right to amend, alter, change or repeal any provisions contained in these Amended and Restated Articles of Incorporation in the manner now or hereafter prescribed by statute, and all rights conferred upon Shareholders are granted subject to this reservation.

IN WITNESS WHEREOF, the undersigned certifies that these Amended and Restated Articles of Incorporation were adopted by the unanimous written consent of the Board of Directors dated January 31, 1997 and submitted for approval by the Shareholders of the Corporation in accordance with Chapter 9 of the Code of the Commonwealth of Virginia (the "Meeting"). By unanimous written consent dated February 3, 1997, the Shareholders of the Corporation approved these Amended and Restated Articles of Incorporation. No shares of any other class of stock were outstanding and entitled to vote.

AND, FURTHER, the undersigned has duly executed these Amended and Restated Articles of Incorporation in the name and on behalf of MAXIMUS, Inc. on the 16th day of June, 1997 and the statements contained herein are affirmed as true under penalties of perjury.

/s/ F. Arthur Nerret

F. Arthur Nerret
Vice President, Finance, and
Assistant Secretary

EXHIBIT

EXECUTIVE EMPLOYMENT, NON-COMPETE
AND CONFIDENTIALITY AGREEMENT

THIS EXECUTIVE EMPLOYMENT, NON-COMPETE AND CONFIDENTIALITY AGREEMENT ("Agreement"), is entered into on this 26th day of February 1999, by and between James M. Paulits (the "Executive") and MAXIMUS, Inc., a Virginia corporation with its principal place of business in McLean, Virginia (the "Corporation"). Capitalized terms not defined herein shall have the meanings set forth in the Agreement and Plan of Merger (the "Merger Agreement") by and among the Corporation, Control Software, Inc., a Pennsylvania corporation ("Control"), the former stockholders of Control and Control Acquisition Corporation, dated February 26th, 1999.

WHEREAS, the parties believe the Executive possesses the experience and capabilities to provide valuable service on behalf of the Corporation; and

WHEREAS, the Corporation desires to employ the Executive as the President of Control, which shall be a wholly-owned subsidiary of the Corporation after giving effect to the transactions contemplated by the Merger Agreement; and

WHEREAS, the Executive desires to be employed by the Corporation at the salary, benefits and other terms and conditions specified herein.

NOW, THEREFORE, in consideration of these premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. EMPLOYMENT.

1.1 DUTIES. The Corporation hereby employs the Executive, and the Executive hereby accepts such employment, to serve as a President of Control, reporting directly to the President of DMG/MAXIMUS, another wholly-owned subsidiary of the Corporation. The Executive hereby represents and warrants that he is in good health and capable of performing the services required hereunder. The Executive shall perform such services and duties as are appropriate to such office or reasonably delegated to the Executive by his superior. During the term of this Agreement, the Executive shall be a full-time employee of the Corporation or Control (as determined by the Corporation) and shall devote such time and attention to the discharge of his duties as may be necessary and appropriate to accomplish and complete such duties.

1.2 COMPENSATION.

(a) SALARY. As compensation for performance of his obligations hereunder, the Corporation shall pay the Executive an annual salary of \$200,000, payable in accordance with MAXIMUS's usual practice. Executive's annual salary shall be subject to annual reviews, but shall not be less than \$200,000 per year during the Term, as defined below.

(b) VACATION, INSURANCE, EXPENSES, ETC. The Executive shall be entitled to such vacation benefits, health, disability and life insurance and other benefits and expense reimbursements in a manner consistent with Control's past practices and as are provided by Control to its other executive officers.

(c) OTHER BENEFITS. The Executive shall be entitled to participate in stock option and incentive plans and receive fringe benefits as may be granted or established by the Corporation from time to time; provided however, that the Executive hereby acknowledges that in the past, options have been granted at the discretion of the Chief Executive Officer of the Corporation and not pursuant to a regular schedule or program, and that the Corporation does not anticipate a change in such practice.

1.3 TERM; TERMINATION. The term of the employment agreement set forth in this Section 1 shall be for a period commencing the date hereof and continuing for four years thereafter (the "Term"), provided that this Agreement shall terminate prior to the end of the Term:

(a) by mutual written consent of the parties;

(b) upon Executive's death or inability, by reason of physical or mental impairment, to perform substantially all of Executive's duties as contemplated herein for a continuous period of 120 days or more; or

(c) by the Corporation for cause after five days written notice to the Executive, which shall mean the Executive's breach of any material duty or obligation hereunder, or intentional or grossly negligent misconduct that is materially injurious to the Corporation, as reasonably determined by the President of DMG/MAXIMUS, or willful failure to follow the reasonable directions of such superior.

The Corporation shall not have the right to terminate this Agreement as to the Executive's employment prior to the end of the Term except as provided in clauses (a), (b) and (c) of this Section 1.3.

Upon any termination of employment under this Section 1.3, neither party shall have any obligation to the other pursuant to this Section 1, but such termination shall have no effect on the obligations of the parties under other provisions of this Agreement.

2. NON-COMPETITION.

2.1 UNDERTAKING. The Executive agrees that while the Executive is employed by the Corporation and for a period of two (2) years after termination of such employment as provided herein, the Executive shall not, without the Corporation's prior written consent, engage in direct or indirect competition with the Corporation in business lines that were within the Executive's areas of responsibility during the Executive's employment with the Corporation.

2.2 OTHER PROHIBITED ACTIVITIES.

(a) The Executive agrees that, during his employment with the Corporation and for a period of two (2) years after the termination of such employment as provided herein, the

Executive will not engage in any Unethical Behavior which may adversely affect the Corporation. For the purpose of this Section 2.2, "Unethical Behavior" is defined as:

(i) any attempt, successful or unsuccessful, by the Executive to divert any existing or pending contract, subcontract or proposal from the Corporation to any other entity, whether or not affiliated with the Executive;

(ii) any attempt, successful or unsuccessful, by the Executive, to influence clients of the Corporation or organizations with which the Corporation has an existing or pending contract, subcontract or proposal in a manner adverse to the Corporation;

(iii) any attempt, successful or unsuccessful, by the Executive to offer his services, or to influence any other employee of the Corporation to offer his or his services, to any firm to compete, directly or indirectly, against the Corporation; or

(iv) any attempt, successful or unsuccessful, by the Executive to employ or offer employment to, or cause any other person to employ or offer employment to any other employee of the Corporation.

(b) The Executive agrees that, in addition to any other remedy available to the Corporation, in the event of a breach by the Executive of the terms of this Section 2 the Corporation may set off against any amounts due the Executive, an amount equal to the gross revenues which such Executive, or any entity with which the Executive is employed, affiliated or associated, receives or is entitled to receive, from any existing clients (or potential clients with whom a proposal is pending) of the Corporation during the two-year period provided in this Section 2.

(c) The Executive shall notify any new employer, partner, association or any other firm or corporation actually or potentially in competition with the Corporation with whom the Executive shall become associated in any capacity whatsoever of the provisions of this Section 2 and the Executive agrees that the Corporation may give such notice to such firm, corporation or other person.

2.3 BUSINESS OPPORTUNITIES; CONFLICTS OF INTEREST; OTHER EMPLOYMENT AND ACTIVITIES OF THE EXECUTIVE.

(a) The Executive agrees promptly to advise the Corporation of, and provide the Corporation with an opportunity to pursue, all material business opportunities that Executive becomes aware of that reasonably relate to the present business conducted by the Corporation.

(b) The Executive, in his capacity as an employee of the Corporation, shall not engage in any business with any member of the Executive's immediate family or with any person or business entity in which the Executive or any member of the Executive's immediate family has any ownership interest or financial interest, unless and until the Executive has first fully disclosed such interest to and received written consent from the President of the Consulting Group; but provided that the Executive may passively invest in family businesses. As used herein, the term "immediate family" means the Executive's spouse, natural or adopted children, parents or siblings and the term "financial interest" means any relationship with such person or business entity that may monetarily

benefit the Executive or member of the Executive's immediate family, including any lending relationship or the guarantying of any obligations of such person or business entity by the Executive or member of his immediate family.

(c) The parties hereto agree that the Executive may, consistent with this Section 2.3, receive and retain speaking fees, referral fees from business opportunities not accepted by the Corporation, and fees from outside business activities and opportunities of the Executive consented to by the President of the Consulting Group.

3. CONFIDENTIALITY. The Executive agrees that the Corporation's books, records, files and all other non-public information relating to the Corporation, its business, clients and employees are proprietary in nature and contain trade secrets and shall be held in strict confidence by the Executive, and shall not, either during the term of this Agreement or after the termination hereof, be disclosed, directly or indirectly, to any third party, except to the extent such disclosure is in furtherance of the Corporation's business or required by court order or other legal process. The trade secrets or other proprietary or confidential information referred to in the prior sentence includes, without limitation, all proposals to clients or potential clients, contracts, client or potential client lists, fee policies, financial information, administration or marketing practices or procedures and all other information regarding the business of the Corporation and its clients not generally known to the public.

4. MISCELLANEOUS.

4.1 NOTICES. All notices, requests, demands or other communications provided for in this Agreement shall be in writing and shall be delivered by hand, sent prepaid by overnight delivery service or sent by the United States mail, certified, postage prepaid, return receipt request, to the following:

If to the Corporation:

MAXIMUS, Inc.
36 Washington Street, Suite 320
Wellesley Hills, Massachusetts 02481-1904
Attention: Raymond B. Ruddy

If to the Executive:

James M. Paulits
Control Software, Inc.
998 Old Eagle School Road
Wayne, PA 19087

Any notice, request, demand or other communication delivered or sent in the foregoing manner shall be deemed given or made (as the case may be) upon the earliest of (i) the date it is actually received, (ii) the business-day after the day on which it is delivered by hand,

(iii) the business day after the day on which it is properly delivered to Federal Express (or a comparable overnight delivery service), or (iv) the third business day after the date on which it is deposited in the United States mail. Either party may change its address by notifying the other party of the new address in any manner permitted by this paragraph.

4.2 REMEDIES. The parties agree and acknowledge that any violation by the Executive of the terms of Sections 2.1 or 2.2 hereof may result in irreparable injury and damage to the Corporation or its clients, which will not adequately be compensable in monetary damages, that the Corporation will have no adequate remedy at law therefor, and that the Corporation may obtain such preliminary, temporary or permanent mandatory or restraining injunctions, orders or decrees as may be necessary to protect it against, or on account of, any breach of the provisions contained in this Agreement. The parties further agree and acknowledge that the Corporation may seek such injunctive relief in any court of competent jurisdiction, notwithstanding and as an exception to both Section 4.10 hereof and the arbitration provision contained in the Merger Agreement.

4.3 NO OBLIGATION OF CONTINUED EMPLOYMENT. The Executive understands that this Agreement does not create an obligation on the part of the Corporation to continue the Executive's employment with the Corporation after the termination of this Agreement.

4.4 BENEFIT; ASSIGNMENT. This Agreement shall bind and inure to the benefit of the parties and their respective personal representatives, heirs, successors and assigns, provided this Agreement may not be assigned by either party without the consent of the other, except that the Corporation may assign this Agreement in connection with the merger, consolidation or sale of all or substantially all of its business or assets.

4.5 ENTIRE AGREEMENT. This Agreement supersedes all prior agreements, written or oral, with respect to the subject matter of this Agreement.

4.6 SEVERABILITY. In the event that any one or more of the provisions contained herein shall be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Agreement, and all other provisions shall remain in full force and effect. If any of the provisions of this Agreement is held to be excessively broad, it shall be reformed and construed by limiting and reducing it so as to be enforceable to the maximum extent permitted by law.

4.7 WAIVERS. No delay or omission by the Corporation in exercising any right under this Agreement will operate as a waiver of that or any other right. A waiver or consent given by the Corporation on any occasion is effective only in that instance and will not be construed as a bar to or waiver of any right on any other occasion.

4.8 CAPTIONS. The captions of the various sections and paragraphs of this Agreement have been inserted only for the purpose of convenience; such captions are not a part of this Agreement and shall not be deemed in any manner to modify, explain, enlarge or restrict any of the provisions of this Agreement.

4.9 GOVERNING LAW & JURISDICTION. This Agreement shall be construed as a sealed instrument and shall in all events and for all purposes be governed by, and construed in accordance

with, the laws of the Commonwealth of Virginia without regard to any choice of law principle that would dictate the application of the laws of another jurisdiction.

4.10 ARBITRATION. The parties hereto shall attempt to settle amicably through negotiation any controversy, claim or dispute ("Dispute") arising out of or relating to this Agreement. If a Dispute cannot be settled by such means, the parties hereto intend and agree to submit such Dispute to final and binding arbitration before an arbitration tribunal which is, and pursuant to arbitration procedures which are, acceptable to all parties. If the parties cannot or do not otherwise agree within 30 days of receipt of notice of any Dispute, any such Dispute shall be submitted for arbitration by the American Arbitration Association pursuant to the Commercial Arbitration Rules of the American Arbitration Association then in effect. Any arbitration shall be conducted in Virginia and notice of demand for arbitration shall be provided in writing to the other party. The parties hereto further intend and agree that the final decision or award of the arbitration tribunal shall be binding on the parties and their successors and fully enforceable by any court of competent jurisdiction. The parties hereto further intend and agree that facts and other information relating to any arbitration arising out of or in connection with this Agreement shall be kept confidential to the fullest extent permitted by law. Each party shall bear its own expenses in connection with such arbitration unless otherwise ordered by the arbitrator. The provisions of this Section 4.10 do not require arbitration of any claim for injunctive relief within the scope of Section 4.2 above.

4.11 AMENDMENTS. No changes to this Agreement shall be binding unless in writing and signed by both the parties.

4.12 COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all such counterparts shall constitute one instrument.

THE EXECUTIVE HAS READ ALL OF THE PROVISIONS OF THIS AGREEMENT AND THE EXECUTIVE UNDERSTANDS, AND AGREES TO, EACH OF SUCH PROVISIONS. THE EXECUTIVE UNDERSTANDS THAT THIS AGREEMENT MAY AFFECT THE EXECUTIVE'S RIGHT TO ACCEPT EMPLOYMENT WITH OTHER COMPANIES SUBSEQUENT TO THE EXECUTIVE'S EMPLOYMENT WITH THE CORPORATION.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

EXECUTIVE

MAXIMUS, Inc.

/s/ JAMES M. PAULITS

By: /s/ DAVID V. MASTRAN

James M. Paulits

Name: David V. Mastran
Title: President

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IMPORTANT FACTORS REGARDING FORWARD LOOKING STATEMENTS

IN THIS EXHIBIT 99, "WE," "US," "OUR" AND "MAXIMUS" REFER TO MAXIMUS, INC. AND ITS SUBSIDIARIES.

From time to time, we may make forward-looking public statements, such as statements concerning our then expected future revenues or earnings or concerning projected plans, performance, contract procurement as well as other estimates relating to future operations. Forward-looking statements may be in reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in press releases or informal statements made with the approval of an authorized executive officer. The words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressions are intended to identify "forward-looking statements" within the meaning of Section 21E of the Exchange Act and Section 27A of the Securities Act of 1933, as amended, as enacted by the Private Securities Litigation Reform Act of 1995.

We wish to caution you not to place undue reliance on these forward-looking statements which speak only as of the date on which they are made. In addition, we wish to advise you that the factors listed below, as well as other factors we have not currently identified, could affect our financial or other performance and could cause our actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods or events in any current statement.

We will not undertake and specifically decline any obligation to publicly release revisions to these forward-looking statements to reflect either circumstances after the date of the statements or the occurrence of events which may cause us to re-evaluate our forward-looking statements.

In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act, we are hereby filing cautionary statements identifying important factors that could cause our actual results to differ materially from those projected in forward-looking statements made by us or on our behalf.

RELIANCE ON GOVERNMENT CLIENTS

Substantially all of our clients are state or local government authorities. To market our services to government clients, we are largely required to respond to government requests for proposals ("RFPs"). To do so effectively, we must estimate accurately our cost structure for servicing a proposed contract, the time required to establish operations and likely terms of the proposals submitted by competitors. We must also assemble and submit a large volume of information within a RFP's rigid timetable. Our ability to respond successfully to RFPs will greatly impact our business, and we cannot guarantee that we will be awarded contracts through the RFP process or that our proposals will result in profitable contracts.

RISKS ASSOCIATED WITH GOVERNMENT CONTRACTING

EARLY TERMINATION OF CONTRACTS. Many of our government contracts contain base periods of one or more years, as well as option periods covering more than half of the contract's potential duration. Government agencies generally have the right not to exercise these option periods. A decision not to exercise option periods could impact the profitability of some of our contracts. Our contracts typically also contain provisions permitting a government client to terminate the contract on short notice, with or without cause. The unexpected termination of one or more significant contracts could result in significant revenue shortfalls. The natural expiration of especially large contracts can also present management challenges. If revenue shortfalls occur and are not offset by corresponding reductions in expenses, our business could be adversely affected. We cannot be certain if, when or to what extent a client might terminate any or all of its contracts with us.

CONTRACTS SUBJECT TO AUDIT. The Defense Contract Audit Agency and certain other government agencies have the authority to audit and investigate any government contracts. These agencies review a contractor's performance on its contract, its pricing practices, its cost structure and its compliance with applicable laws, regulations and standards. Any costs found to be improperly allocated to a specific contract will not be reimbursed, while costs already reimbursed must be refunded. For example, in a recent audit of one of our contracts with the State of Wisconsin, the Wisconsin Legislative Audit Bureau ("LAB") identified \$138,840 as unallowable costs and questioned an additional \$267,407 charged to that contract.

We have issued a check to the State of Wisconsin in the amount of \$138,840 in connection with the unallowable costs and are in the process of providing supporting documentation to the LAB in connection with the remaining questioned

costs. Although this LAB audit has not had a material adverse effect on our business or financial condition, a government audit that identifies significant unallowable costs could result in a substantial adjustment to our revenue. No material adjustments resulted from audits completed through 1993, and we believe that adjustments resulting from subsequent audits, including the recent LAB audit, will not adversely affect our business. If a government audit uncovers improper or illegal activities, a contractor may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeitures of profits, suspension of payments, fines and suspension or disqualification from doing business with the government.

DISCOURAGEMENT OF REVENUE CONSULTING BY FEDERAL OFFICIALS. To avoid higher than anticipated demands for federal funds, federal government officials occasionally discourage state and local authorities from engaging private consultants to advise them on maximizing federal revenues. We cannot be certain that state and local officials will not be dissuaded from engaging us for revenue maximization services.

RELATIONSHIPS WITH POLITICAL CONSULTANTS. We occasionally engage marketing consultants, including lobbyists, to establish and maintain relationships with elected officials and appointed members of government agencies. The effectiveness of these consultants may be reduced or eliminated if a significant political change occurs. Implementation of term limits for certain elected officials, for instance, would require us to confront political change on a more regular basis. Because we cannot be certain that we will successfully manage our relationships with political consultants, our business may be adversely affected.

RISKS INVOLVED IN MANAGING GOVERNMENT PROJECTS

RISK OF FIXED-PRICE AND PERFORMANCE-BASED CONTRACTS. We derived approximately 37% of our fiscal 1999 revenues from fixed-price contracts and approximately 19% of our fiscal 1999 revenues from performance-based contracts. For fixed-price contracts, we receive our fee if we meet specified objectives or achieve certain units of work. Those objectives might include placing a certain number of welfare recipients into jobs, collecting target amounts of child support payments, or completing a particular number of managed care enrollments. For performance-based contracts, we receive our fee on a per-transaction basis. Such contracts include, for example, child support enforcement contracts, in which we often receive a fee based on the amount of child support collected. To earn a profit on these contracts, we rely upon accurately estimating costs involved and assessing the probability of meeting the specified objectives, realizing the expected units of work or completing individual transactions, within the contracted time period. We recognize revenues on these contracts on a "costs incurred" method. Therefore, we review these contracts quarterly and adjust revenues to reflect our current expectations. These adjustments affect the timing and amount of revenue recognized and could adversely affect our financial results. If we fail to estimate accurately the factors upon which we base our contract pricing, then we may have to report a decrease in revenues or incur losses on these contracts.

FAILURE TO MEET CONTRACT PERFORMANCE STANDARDS. Our inability to satisfy adequately our contractual obligations could adversely affect our financial condition. Our contracts often require us to indemnify clients for our failures to meet certain performance standards. Some contracts contain liquidated damages provisions and financial penalties related to performance failures. In addition, in order for our Government Operations Group to bid on certain contracts, we are required to secure our indemnification obligations by posting a cash performance bond or obtaining a letter of credit. If a claim is made against a performance bond or letter of credit, the issuer of the bond could demand higher premiums. Increased bond premiums would adversely affect our earnings and could limit our ability to bid for future contracts. In addition, a failure to meet our client's expectations when performing on a contract could materially and adversely affect our reputation, which, in turn, would impact our ability to compete for new contracts.

TERMINATION OF LARGE CONTRACTS. Upon termination or expiration of a contract between our Government Operations Group and a state or local government, we have to evaluate whether, and in what capacity, we can continue employing persons that formerly serviced the contract. Unless we enter into a new contract using those same employees or otherwise re-assign them, their employment must be terminated. The reassignment or termination of a large number of employees makes significant demands on our management and administrative resources. Added demands on our resources could adversely affect our business.

RELATIONSHIPS WITH GOVERNMENT ENTITIES. To facilitate our ability to prepare bids in response to RFPs, we rely in part on establishing and maintaining relationships with officials of various government entities and agencies. These relationships enable us to provide informal input and advice to the government entities and agencies prior to the development of an RFP. We cannot be certain that we will be successful in managing our relationships with government entities and agencies, and any failure to do so may adversely affect our business.

SIGNIFICANT START UP COSTS. When we are awarded a contract to manage a government program, our Government Operations Group can incur significant start-up expenses before we receive any contract payments. These expenses include leasing office space, purchasing office equipment and hiring personnel. As a result, in certain large contracts where the government does not fund program start-up costs, we are required to invest significant sums of money prior to receiving related contract payments.

LEGISLATIVE CHANGE AND POLITICAL DEVELOPMENTS

DEPENDENCE ON LEGISLATIVE PROGRAMS. The market for our services depends largely on federal and state legislative programs. These programs can be modified or amended at any time by acts of federal and state governments. For example, in 1996, Congress amended the Social Security Act to eliminate social security and supplemental income benefit payments based solely on drug and alcohol disabilities. That amendment resulted in the termination of our substantial contract with the federal Social Security Administration, which related to the referral and monitoring of the treatment of recipients of these benefits. Future legislative changes that we do not anticipate or respond to effectively could occur and adversely affect our business.

DEPENDENCE ON WELFARE REFORM ACT. We expect that the Welfare Reform Act and other federal and state initiatives will continue to encourage long-term changes in the nation's welfare system. Part of our growth strategy includes aggressively pursuing these opportunities by seeking new contracts to administer and new health and welfare programs to manage. However, there are many opponents of welfare reform. As a result, future progress in the area of welfare reform is uncertain. The repeal of the Welfare Reform Act, in whole or in part, could adversely affect our business. Also, we cannot be certain that additional reforms will be proposed or enacted, or that previously enacted reforms will not be challenged, repealed or invalidated.

RESTRICTIONS ON PRIVATIZATION. Under current law, in order to privatize certain functions of government programs, the federal government must grant a consent and/or waiver to the petitioning state or local agency. For example, in May 1997, the Department of Health and Human Services refused to grant a waiver to the State of Texas permitting private corporations, rather than public employees, to decide eligibility of applicants for Food Stamps and Medicaid benefits. Although MAXIMUS did not bid on the Texas projects, we may face similar obstacles in pursuing future health and human services contracts.

RISKS OF ACQUISITION STRATEGY; RISKS OF COMPLETED ACQUISITIONS

Our business strategy includes expanding our operations, breadth of service offerings and geographic scope by acquiring or combining with related businesses. To date, we have combined with twelve consulting firms and have acquired substantially all of the assets of two firms and a division of another firm. We are still in the process of integrating the operations of several of these firms. We cannot be certain that we will be able to continue to identify, acquire and manage additional businesses profitably or integrate them successfully without incurring substantial expenses, delays or other problems. Furthermore, business combinations may involve special risks, including:

- Diversion of management's attention
- Loss of key personnel
- Assumption of unanticipated legal liabilities
- Amortization of acquired intangible assets
- Dilution to our earnings per share

Also, client dissatisfaction or performance problems at an acquired firm could materially and adversely affect our reputation as a whole. Furthermore, we cannot be certain that acquired businesses will achieve anticipated revenues and earnings.

CHALLENGES RESULTING FROM GROWTH

Sustaining growth has placed significant demands on management as well as on our administrative, operational and financial resources. To manage our growth, we must continue to improve our operational, financial and management information systems and expand, motivate and manage our workforce. However, our growth and management of large-scale health and human services programs must not come at the expense of providing quality service and generating reasonable profits. We cannot be certain that we will continue to experience growth or successfully manage it.

OPPOSITION FROM GOVERNMENT UNIONS

Our success derives in part from our ability to win profitable contracts to

administer and manage health and human services programs traditionally administered by government employees. Government employees, however, typically belong to labor unions with considerable financial resources and lobbying networks. Unions are likely to continue to apply political pressure on legislators and other officials seeking to outsource government programs. For example, union lobbying was instrumental in influencing the Department of Health and Human Services to deny a petition to allow private corporations to make Food Stamp and Medicaid eligibility determinations in Texas. Union opposition may slow welfare reform and result in fewer opportunities for MAXIMUS to service government agencies.

RELIANCE ON KEY EXECUTIVES

The abilities of our executive officers, including David V. Mastran and Raymond B. Ruddy, and our senior managers to generate business and execute projects successfully is important to our success. While we have employment agreements with certain of our executive officers, these agreements can be terminated under certain conditions. The loss of a key executive could impair our ability to secure and manage engagements. To limit some of this risk, we have obtained key-man life insurance policies on Dr. Mastran and Mr. Ruddy in the amounts of \$6,100,000 and \$3,950,000, respectively.

ATTRACTION AND RETENTION OF EMPLOYEES

Our delivery of services is labor-intensive. When we are awarded a government contract, we must quickly hire project leaders and case management personnel. The additional staff also creates a concurrent demand for increased administrative personnel. The success of our Government Operations Group and Consulting Group requires that we attract, develop, motivate and retain:

- Experienced and innovative executive officers
- Senior managers who have successfully managed or designed health and human services programs in the public sector
- Information technology professionals who have designed or implemented complex information technology projects

Innovative, experienced and technically proficient individuals are in great demand and are likely to remain a limited resource. We cannot be certain that we can continue to attract and retain desirable executive officers and senior managers. A failure to hire sufficient personnel on a timely basis could adversely affect our business. The loss of significant numbers of executive officers and senior managers could produce similar adverse consequences.

COMPETITORS; EFFECTS OF COMPETITION

COMPETITION FROM OTHER ORGANIZATIONS. Our Government Operations Group competes for program management contracts with the following:

- Local non-profit organizations such as the United Way and Goodwill Industries
- Government services divisions of large organizations such as Andersen Consulting, Lockheed Martin Corporation and Electronic Data Systems, Inc.
- Specialized service providers such as America Works, Inc., Policy Studies Incorporated, and Benova, Inc.

Our Consulting Group competes with:

- The consulting divisions of the "Big 5" accounting firms
- Electronic Data Systems, Inc.

Many of these companies are national and international in scope and have greater resources than we have. Substantial resources could enable certain competitors to initiate severe price cuts or take other measures in an effort to gain market share. In addition, we may be unable to compete for a limited number of large contracts because we may not be able to meet an RFP's requirement to obtain and post large cash performance bonds. Also, in certain geographic areas, we face competition from smaller consulting firms with established reputations and political relationships. We cannot be certain that we will compete successfully against our existing or any new competitors.

COMPETITION FROM FORMER EMPLOYEES. In addition to competition from existing competitors, we may experience competition from former employees. Although we have entered into non-competition agreements with some of our senior level employees, we cannot be certain that a court would enforce these contracts. Competition by former employees could adversely affect our business.

RISKS ASSOCIATED WITH PROCEEDINGS INVOLVING NEW YORK CONTRACTS

In January 2000, the New York City Human Resources Administration ("HRA") submitted two contracts that it had awarded to MAXIMUS for the performance of welfare-to-work services to the Comptroller of New York City to be registered. Under New York law, the contracts must be registered in order for us to receive payment. However, the Comptroller refused to register the contracts alleging improprieties in the procurement process and in MAXIMUS's conduct. The Mayor of the City of New York and HRA disagreed with the Comptroller's assertions and, in March 2000, sued the Comptroller in the Supreme Court of the State of New York - New York County (the "Court"), seeking to require the Comptroller to register the contracts. On April 13, 2000, the Court issued a decision and judgment holding that the Comptroller has a mandatory duty to register the contracts. However, as a matter of judicial discretion, the Court refused to require registration, finding that the Comptroller had established that the contract procurement process had been corrupted. This decision was appealed by the Mayor and HRA to the New York Supreme Court Appellate Division - First Department. On April 24, 2000, we filed a motion in the Appellate Division to intervene in the lawsuit. We asked that the Court's decision be set aside on the grounds that it contained findings of fact against MAXIMUS not supported by the record and that the Court failed to afford us with our constitutional rights to notice of a hearing and an opportunity to be heard. The Appellate Division heard the appeal on June 13, 2000, but has not yet issued a decision. We believe that the Comptroller's claims are without merit and intend to continue defending against his allegations vigorously. However, we cannot provide assurance that the contracts will ultimately be registered by the Comptroller.

This matter is also the subject of investigations being conducted by certain governmental agencies. The District Attorney's Office of New York County and the United States Attorney's Office for the Southern District of New York, in response to requests made by the Comptroller, are investigating the facts underlying this matter. Both offices issued subpoenas to us in early May 2000. We believe that our actions were lawful and appropriate continue to cooperate fully with the governmental investigations of the matter. Although there can be no assurance of a favorable outcome, we do not believe that these investigations will have a material adverse effect on our financial condition or results of operations. However, if we are found to have engaged in illegal or improper activities, we could be subject to civil and criminal penalties and administrative sanctions, which could adversely affect our business.

LITIGATION

On November 28, 1997, an individual who was a former officer, director and shareholder of MAXIMUS filed a complaint in the United States District Court for the District of Massachusetts alleging that, at the time he resigned from the Company in 1996, thereby triggering the repurchase of his shares, we had failed to disclose to him material information relating to the potential value of the shares. He further alleges that we violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and breached various fiduciary duties owed to him. The officer has also named certain of our officers and directors in this lawsuit and brought the same claims against them. The officer claims damages in excess of \$10 million. This matter is currently scheduled for trial on September 11, 2000. We do not believe that this claim has merit and intend to oppose it vigorously. We do not believe this action will have a material adverse effect on our financial condition or results of operations. However, we cannot assure that we will be successful in our defense.

ADVERSE PUBLICITY

The nature of our contracts with state and local government authorities frequently generates media attention. For example, the circumstances surrounding the refusal of the Comptroller of New York City to register two welfare-to-work contracts awarded to us has recently received a good amount of media coverage in the New York area. Additionally, our management of health and human services programs and revenue maximization services have occasionally received negative media coverage. This negative coverage could influence government officials and slow the pace of welfare reform. The media also focuses its attention on the activities of political consultants engaged by us, even when their activities are unrelated to our business. We may be subject to adverse media attention relating to the activities of individuals who are not under our control. In addition, we cannot assure that the media will accurately cover our activities or that we will be able to anticipate and respond in a timely manner to all media contacts. Inaccurate or misleading media coverage or our failure to manage adverse coverage could adversely affect our reputation.

VARIABILITY OF QUARTERLY OPERATING RESULTS

A number of factors cause our revenues and operating results to vary from quarter to quarter. These factors include:

- The progress of contracts
- The levels of revenues earned on contracts (including any adjustments in

expectations on revenue recognition on fixed-price contracts)

- The commencement, completion or termination of contracts during any particular quarter
- The schedules of government agencies for awarding contracts
- The term of awarded contracts
- The reactions of the market to announcements of potential acquisitions
- General economic conditions

Changes in the volume of activity and the number of contracts commenced or completed during any quarter may cause significant variations in our operating results because a relatively large amount of our expenses are fixed. Furthermore, on occasion we incur greater operating expenses during the start-up and early stages of significant contracts.

CONCENTRATION OF OWNERSHIP BY PRINCIPAL SHAREHOLDERS

Our executive officers own beneficially approximately 40% of our common stock. Certain executive officers, who beneficially own approximately 34% of the outstanding shares, have agreed to hold their shares until June 2001, subject to certain exceptions. In addition, Mr. Ruddy has agreed to vote his shares of common stock in a manner instructed by Dr. Mastran until September 30, 2001. Together, Dr. Mastran and Mr. Ruddy beneficially own approximately 32% of our common stock. As a result, these officers can exercise significant influence over the outcome of matters requiring a

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shareholder vote, including the election of the board of directors. This significant influence could delay or prevent a change in control of the company, which could adversely affect the market price of our common stock.

POSSIBLE VOLATILITY OF STOCK PRICE

MAXIMUS first publicly issued common stock on June 13, 1997 at \$16.00 per share in its initial public offering (the "IPO"). Between June 13, 1997 and June 30, 2000, the closing sale price has ranged from a high of \$41.50 per share to a low of \$17.00 per share. Even though the market price of our stock has not been highly volatile during this time, the market price of our common stock could fluctuate substantially due to a variety of factors, including:

- Quarterly fluctuations in results of operations
- The failure to be awarded a significant contract on which we have bid
- The termination by a government client of a material contract
- The announcement of new services by competitors
- Acquisitions and mergers
- Political and legislative developments adverse to the privatization of government services
- Changes in earnings estimates by securities analysts
- Changes in accounting principles
- Sales of common stock by existing shareholders
- Negative publicity
- Loss of key personnel

Our ability to meet securities analysts' quarterly expectations may also influence the market price of our common stock. In addition, overall volatility has often significantly affected the market prices of securities for reasons unrelated to a company's operating performance. In the past, securities class action litigation has often been commenced against companies that have experienced periods of volatility in the price of their stock. Securities litigation initiated against us could cause us to incur substantial costs and could lead to the diversion of management's attention and resources.

CERTAIN ANTI-TAKEOVER EFFECTS

Virginia law and our Articles of Incorporation and By-Laws include provisions that may be deemed to have anti-takeover effects. These provisions may delay, deter or prevent a takeover attempt that shareholders might consider desirable. Our directors are divided into three classes and are elected to serve

staggered three-year terms. This structure could impede or discourage an attempt to obtain control of the company. Shareholders of MAXIMUS do not possess the power to take any action in writing without a meeting. In addition, Virginia law imposes certain limitations and special voting requirements on affiliated transactions. Furthermore, Virginia law denies voting rights to shares acquired in control share acquisitions, unless granted by a shareholder vote.

UNCERTAINTIES RELATED TO INTERNATIONAL OPERATIONS

Most of our international operations are currently paid for by the World Bank and the U.S. Agency for International Development in U.S. dollars. However, as we expand our operations into developing countries we could encounter a number of additional risks. The potential risks to our expected international revenues include:

- Adverse currency exchange rate fluctuations

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- Inability to collect receivables

- Difficulty in enforcing contract terms through a foreign country's legal system

Foreign countries could also impose tariffs, impose additional withholding taxes or otherwise tax our foreign income.

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