

REGISTRATION NO. 333-61264

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

AMENDMENT NO. 1  
TO  
FORM S-3  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

MAXIMUS, INC.  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

<TABLE>  
<S> VIRGINIA <C> 54-1000588  
(STATE OR OTHER JURISDICTION (I.R.S. EMPLOYER  
OF IDENTIFICATION NUMBER)  
INCORPORATION OR ORGANIZATION)  
</TABLE>

11419 SUNSET HILLS ROAD, RESTON, VIRGINIA 20190, (703) 251-8500  
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF  
REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

DAVID R. FRANCIS  
GENERAL COUNSEL AND SECRETARY  
MAXIMUS, INC.  
11419 SUNSET HILLS ROAD  
RESTON, VIRGINIA 20190  
(703) 251-8500  
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,  
OF AGENT FOR SERVICE)  
WITH COPIES TO:

<TABLE>  
<S> KERRY JOHN TOMASEVICH <C> MICHAEL L. FITZGERALD  
PALMER & DODGE LLP SIDLEY AUSTIN BROWN & WOOD LLP  
ONE BEACON STREET ONE WORLD TRADE CENTER  
BOSTON, MASSACHUSETTS 02108-3190 NEW YORK, NEW YORK 10048-0557  
(617) 573-0100 (212) 839-5300  
</TABLE>

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. / /

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. / /

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434,

please check the following box. / /

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

SUBJECT TO COMPLETION  
PRELIMINARY PROSPECTUS DATED JUNE 4, 2001

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.  
PROSPECTUS

3,500,000 SHARES

MAXIMUS-REGISTERED TRADEMARK-  
HELPING GOVERNMENT SERVE THE PEOPLE-REGISTERED TRADEMARK-  
COMMON STOCK

We are offering 1,000,000 shares of our common stock and our existing shareholders are offering 2,500,000 shares of our common stock.

Our common stock trades on the New York Stock Exchange under the symbol "MMS." On May 31, 2001, the last sale price of our common stock as reported on the New York Stock Exchange was \$36.85 per share.

INVESTING IN OUR COMMON STOCK INVOLVES RISKS, INCLUDING THOSE THAT ARE DESCRIBED IN THE "RISK FACTORS" SECTION BEGINNING ON PAGE 6 OF THIS PROSPECTUS.

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	PER SHARE	TOTAL
	-----	-----
<S>	<C>	<C>
Public offering price.....	\$	\$
Underwriting discount.....	\$	\$
Proceeds, before expenses, to MAXIMUS.....	\$	\$
Proceeds to the selling shareholders.....	\$	\$

The underwriters have an option to purchase up to an additional 525,000 shares from two of the selling shareholders, at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about \_\_\_\_\_, 2001.

MERRILL LYNCH & CO.

BEAR, STEARNS & CO. INC.

LEGG MASON WOOD WALKER  
INCORPORATED

The date of this prospectus is \_\_\_\_\_, 2001.  
DESCRIPTION OF ARTWORK FOR INSIDE FRONT COVER OF PROSPECTUS.

[Map of the United States, Puerto Rico, and the U.S. Virgin Islands, with flags indicating the locations of MAXIMUS offices. Names of the cities in which offices are located are spelled out adjacent to their respective flag. The map is colored in green and the flags are in gold with a red "M".]

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The MAXIMUS logo, "Helping Government Serve the People" and MAXSTAR are our registered trademarks. All other registered trademarks and trademarks used in this prospectus are the property of their respective owners.

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

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PROSPECTUS SUMMARY

THE FOLLOWING IS ONLY A SUMMARY. IT MAY NOT CONTAIN ALL OF THE INFORMATION THAT IS IMPORTANT TO YOU. YOU SHOULD CAREFULLY READ THE MORE DETAILED INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, INCLUDING THE FINANCIAL STATEMENTS AND THE NOTES TO SUCH STATEMENTS. UNLESS OTHERWISE INDICATED, THE INFORMATION IN THIS PROSPECTUS ASSUMES THAT THE OVERALLOTMENT OPTION IS NOT EXERCISED. AN INVESTMENT IN OUR COMMON STOCK INVOLVES RISK. THEREFORE, YOU SHOULD CAREFULLY CONSIDER THE INFORMATION PROVIDED UNDER THE CAPTION "RISK FACTORS." WE URGE YOU TO READ THIS PROSPECTUS IN ITS ENTIRETY.

MAXIMUS, INC.

OUR COMPANY

We are a leading provider of program management, consulting services and systems solutions primarily to state and local government agencies throughout the United States. Since our inception in 1975, we have been at the forefront of innovation in meeting our mission of "Helping Government Serve the People-Registered Trademark-." We use our expertise, experience and advanced information technology to make government operations more efficient and cost-effective while improving the quality of services provided to program beneficiaries. We currently have contracts with government agencies in all 50 states, 49 of the 50 largest cities and 27 of the 30 largest counties. We have been profitable every year since we were founded. For the fiscal year ended September 30, 2000, we had revenues of \$399.2 million and net income of \$30.5 million, and for the six months ended March 31, 2001, we had revenues of \$233.5 million and net income of \$18.5 million.

We conduct our operations through three groups: our Government Operations Group, our Consulting Group and our Systems Group. Our Government Operations Group administers and manages state and local government programs on a fully-outsourced basis. Examples of these programs include welfare-to-work and job readiness, child care, child support enforcement, managed care enrollment and disability services. Our Consulting Group provides program planning and quality assurance services to state and local government agencies, in addition to general management consulting services and specialized services such as

assisting state and local agencies in maximizing federal funding for their programs. Our Systems Group provides state and local agencies with systems design and implementation to improve the efficiency and cost-effectiveness of their program administration. We offer our own suite of proprietary software products in addition to customized versions of popular applications such as PeopleSoft-Registered Trademark-.

#### MARKET OPPORTUNITIES

We believe that providing program management, consulting services and systems solutions to government agencies continues to represent significant market opportunities. The federal, state and local government agencies in the United States to which we market our services spend more than \$250 billion annually on health and human services programs. Based on currently available data published by the federal government, we estimate that states spend over \$23 billion annually to administer these programs, of which we estimate only a small portion was outsourced to private service providers, including us. We believe that state and local government agencies will increasingly rely on private service providers to administer their programs and will also increasingly engage consultants as they seek to reduce costs and improve the delivery of services.

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#### OUR COMPETITIVE ADVANTAGES

The following competitive advantages position us to capitalize on the significant market opportunities presented by the changes in the ways government provides services.

- SINGLE MARKET FOCUS. We believe that we are the largest company dedicated to providing program management, consulting services and systems solutions primarily to state and local government agencies.
- PROVEN TRACK RECORD. Since 1975, we have successfully completed hundreds of large-scale program management and consulting projects for state and local government agencies serving millions of beneficiaries in nearly every state.
- ABILITY TO RESPOND TO REQUESTS FOR PROPOSALS. We have significant expertise and experience in complying with the lengthy and complicated bidding and proposal process in response to RFPs of government agencies.
- PROPRIETARY PROGRAM MANAGEMENT SOLUTION. We have developed a proprietary software program, MAXSTAR-Registered Trademark-, that interfaces with government databases and monitors and tracks cases of program participants. We use MAXSTAR's scalable and customizable features to reduce our project implementation time and cost.
- WIDE RANGE OF SERVICES. We leverage our experience in a wide range of services to pursue new business opportunities and position ourselves to be a leading e-government consulting and implementation force, as well as a single-source provider of program management, consulting services and systems solutions to state and local government agencies.
- MARKET LEADING CONSULTING CAPABILITIES. We believe we have the largest management consulting practice dedicated to serving state and local governments, led by experienced consultants with an established knowledge base and valuable government relationships.
- EXPERIENCED TEAM OF PROFESSIONALS. We have assembled a management team of former government executives, state agency officials, information technology specialists and other professionals, most of whom have more than seven years of experience in the public services industry.

#### OUR GROWTH STRATEGY

Our goal is to be the leading provider of program management, consulting services and systems solutions to state and local government agencies. Our strategy to achieve this goal includes the following:

- AGGRESSIVELY PURSUE NEW BUSINESS OPPORTUNITIES. We intend to market new and innovative solutions based on our experience, established methodologies and systems. We also intend to invest in the early identification of government bid opportunities and to submit competitive bids that leverage our proven solutions from past projects.
- CONTINUE TO DEVELOP COMPLEMENTARY SERVICES. We intend to continue broadening our range of services in order to respond to the evolving needs of our clients and to provide additional cross-selling opportunities.
- RECRUIT HIGHLY SKILLED PROFESSIONALS. We intend to attract and retain experienced government personnel by leveraging our reputation as a premier government services consultant with a single market focus.

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- PURSUE STRATEGIC ACQUISITIONS. While most of our revenue growth has been internally generated, we intend to continue to selectively identify and pursue attractive acquisition opportunities to broaden our services, enhance our technical capabilities and expand our client base.

We believe that we are well-positioned to benefit from the continued increase in demand for new program management, consulting services and systems solutions that has arisen in an environment characterized by changing regulation and evolving technology. We believe that fiscal pressures will compel state governments to continue to rationalize program operations and upgrade existing technology to operate more cost-efficient and productive programs. To achieve these efficiencies, we believe that many government agencies will turn to outside experts, including us, for help.

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We were incorporated in Virginia in September 1975 and our principal executive offices are located at 11419 Sunset Hills Road, Reston, Virginia 20190. Our website address is <http://www.maximus.com>. The contents of our website are not part of this prospectus. Our telephone number is (703) 251-8500.

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THE OFFERING

<TABLE>		
<S>		
Common stock offered:	<C>	<C>
By MAXIMUS.....	1,000,000 shares	
By the selling shareholders.....	2,500,000 shares	
	-----	
Total.....	3,500,000 shares	
Shares outstanding after the offering.....	22,605,669 shares	
Use of proceeds.....	We intend to use the net proceeds of this offering for general corporate purposes, including:	
	- working capital;	
	- expansion of existing operations;	
	- strategic acquisitions of complementary businesses; and	
	- investment in systems infrastructures and new technologies.	
	We will not receive any proceeds from the sale of shares by the selling shareholders.	
Risk factors.....	See "Risk Factors" beginning on page 6 for a discussion of factors you should carefully consider before deciding to buy shares of our common stock.	
NYSE symbol.....	"MMS"	
</TABLE>		

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The number of shares of common stock to be outstanding after this offering is based on the number of shares outstanding as of May 31, 2001 and (1) includes 95,362 shares of common stock issuable upon exercise of vested stock options to be exercised prior to completion of this offering by the selling shareholders and (2) excludes 3,949,313 shares issuable upon exercise of options outstanding as of May 31, 2001 and an additional 730,843 shares reserved for issuance under our 1997 Equity Incentive Plan and our 1997 Director Stock Option Plan.

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SUMMARY CONSOLIDATED FINANCIAL DATA  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

We have presented below information derived from our consolidated statements of income and balance sheet. Our consolidated financial statements for the three years ended September 30, 2000 have been audited by Ernst & Young LLP, independent auditors. The summary consolidated financial data for the six months ended March 31, 2000 and as of and for the six months ended March 31, 2001 have been derived from unaudited financial statements which, in the opinion of our management, reflect all adjustments, consisting of normal recurring accruals,

necessary for a fair presentation of this data. You should read the following information in conjunction with our consolidated financial statements and related notes, as well as "Selected Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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	YEAR ENDED SEPTEMBER 30,					SIX MONTHS ENDED MARCH 31,	
	1996	1997	1998	1999	2000	2000	2001
						(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:							
Revenues:							
Government Operations Group.....	\$ 77,211	\$ 97,369	\$139,263	\$177,428	\$221,177	\$105,210	\$127,069
Consulting Group.....	53,620	64,327	83,017	99,979	119,917	54,396	
72,302							
Systems Group.....	9,661	11,659	21,834	42,133	58,070	23,578	
34,150							
---							
Total revenues.....	140,492	173,355	244,114	319,540	399,164	183,184	233,521
Cost of revenues.....	106,258	127,170	181,403	224,912	272,620	126,334	159,300
---							
Gross profit.....	34,234	46,185	62,711	94,628	126,544	56,850	
74,221							
Amortization of goodwill and other							
acquisition related intangibles.....	--	--	--	260	3,212	645	
2,751							
Income from operations.....	12,094	12,713	24,131	43,262	51,510	25,498	
31,210							
Net income(1).....	\$ 11,517	\$ 9,530	\$ 15,514	\$ 27,626	\$ 30,468	\$ 16,226	\$
18,523							
=====							
Earnings per share:							
Basic.....	\$ 0.87	\$ 0.67	\$ 0.86	\$ 1.35	\$ 1.45	\$ 0.77	\$
0.87							
=====							
Diluted.....	\$ 0.87	\$ 0.65	\$ 0.85	\$ 1.32	\$ 1.42	\$ 0.76	\$
0.85							
=====							
Weighted average shares outstanding:							
Basic.....	13,273	14,208	17,937	20,537	21,055	21,019	
21,179							
=====							
Diluted.....	13,273	14,593	18,296	20,891	21,424	21,427	
21,804							
=====							

</TABLE>

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	AS OF MARCH 31, 2001	
	ACTUAL	AS ADJUSTED (2)
		(UNAUDITED)
<S>	<C>	<C>
BALANCE SHEET DATA:		
Cash and cash equivalents and short-term investments.....	\$ 48,344	\$ 82,398
Working capital.....	146,723	180,777
Total assets.....	270,274	304,328
Total debt.....	355	355
Total shareholders' equity.....	230,067	264,121

</TABLE>

(1) For the year ended September 30, 1996, and during fiscal year 1997 up to and including June 12, 1997, we elected to be treated as an S corporation and our income was taxed for federal and most state purposes directly to our shareholders. As a result, the earnings per share figures are not directly

comparable. In connection with our initial public offering, our S corporation status terminated and we recorded a deferred tax charge against income of \$2.6 million for the cumulative differences between the financial reporting and income tax basis of certain assets and liabilities at June 12, 1997. Subsequent to June 12, 1997, we have recorded state and federal income taxes based on earnings for those periods.

- (2) As adjusted to give effect to the sale of 1,000,000 shares of our common stock and the receipt of the estimated net proceeds from this offering. See "Use of Proceeds."

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#### RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE RISKS DESCRIBED BELOW BEFORE YOU DECIDE TO BUY OUR COMMON STOCK. YOU SHOULD ALSO REFER TO THE OTHER INFORMATION IN THIS PROSPECTUS, INCLUDING OUR FINANCIAL STATEMENTS AND RELATED NOTES. ADDITIONAL RISKS AND UNCERTAINTIES NOT PRESENTLY KNOWN TO US, OR RISKS THAT WE CURRENTLY CONSIDER IMMATERIAL, MAY ALSO IMPAIR OUR OPERATIONS. IF ANY OF THE FOLLOWING EVENTS ACTUALLY OCCURS, OUR BUSINESS COULD BE HARMED WHICH COULD CAUSE THE TRADING PRICE OF OUR COMMON STOCK TO DECLINE AND YOU COULD LOSE ALL OR PART OF YOUR INVESTMENT.

#### RISKS RELATED TO OUR BUSINESS

IF WE FAIL TO SATISFY OUR CONTRACTUAL OBLIGATIONS, OUR ABILITY TO COMPETE FOR FUTURE CONTRACTS AND OUR FINANCIAL CONDITION MAY BE ADVERSELY AFFECTED.

Our failure to comply with contract requirements or to meet our client's performance expectations when performing a contract could materially and adversely affect our financial performance and our reputation, which, in turn, would impact our ability to compete for new contracts. Our failure to meet contractual obligations could also result in substantial actual and consequential damages. In addition, our contracts often require us to indemnify clients for our failure to meet performance standards. Some of our contracts contain liquidated damages provisions and financial penalties related to performance failures. Although we have liability insurance, the policy limits may not be adequate to provide protection against all potential liabilities.

IF WE FAIL TO ESTIMATE ACCURATELY THE FACTORS UPON WHICH WE BASE OUR CONTRACT PRICING, WE MAY HAVE TO REPORT A DECREASE IN REVENUES OR INCUR LOSSES ON THOSE CONTRACTS.

We derived approximately 47% of our fiscal 2000 revenues from fixed-price contracts and approximately 18% of our fiscal 2000 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, completing a particular number of managed care enrollments, or delivering a planning document under a consulting arrangement. For performance-based contracts, we receive our fee on a per-transaction basis. These 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 must accurately estimate costs involved and assess 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, including a portion of estimated profit, as costs are incurred. Under this method, anticipated revenues for the full contract are recorded as the costs are incurred, not when the bills are sent or when the payment is made. Therefore, if a contract is cancelled or re-negotiated after work has been performed, previously recognized revenue would be reversed and charged to earnings at that time. The reversal of previously recognized revenue could adversely affect our financial results. In addition, we review these contracts quarterly and adjust revenues to reflect our current expectations as to the total anticipated costs of each contract. These adjustments affect the timing and amount of revenue recognized and could adversely affect our financial results.

IF WE ARE UNABLE TO MANAGE OUR GROWTH, OUR PROFITABILITY WILL BE ADVERSELY AFFECTED.

Sustaining our growth has placed significant demands on our management as well as on our administrative, operational and financial resources. For us to continue to manage our growth, we must continue to improve our operational, financial and management information systems and expand, motivate and manage our workforce. If our growth comes at the expense of providing quality service

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and generating reasonable profits, our ability to successfully bid for contracts and our profitability will be adversely affected.

GOVERNMENT ENTITIES HAVE IN THE PAST AND MAY IN THE FUTURE TERMINATE THEIR CONTRACTS WITH US EARLIER THAN WE EXPECT, WHICH MAY RESULT IN REVENUE SHORTFALLS.

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 do not have to exercise these option periods. The profitability of some of our contracts could be adversely impacted if the option periods are not exercised. Our contracts also typically contain provisions permitting a government client to terminate the contract on short notice, with or without cause. The unexpected termination of significant contracts could result in significant revenue shortfalls. If revenue shortfalls occur and are not offset by corresponding reductions in expenses, our business could be adversely affected. We cannot anticipate if, when or to what extent a client might terminate its contracts with us.

GOVERNMENT UNIONS MAY OPPOSE OUTSOURCING OF GOVERNMENT PROGRAMS TO OUTSIDE VENDORS SUCH AS US, WHICH COULD LIMIT OUR MARKET OPPORTUNITIES.

Our success depends in part on our ability to win profitable contracts to administer and manage health and human services programs traditionally administered by government employees. Many government employees, however, belong to labor unions with considerable financial resources and lobbying networks. Unions have in the past and 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 result in fewer opportunities for us to service government agencies.

WE MAY LOSE EXECUTIVE OFFICERS AND SENIOR MANAGERS ON WHOM WE RELY TO GENERATE BUSINESS AND EXECUTE PROJECTS SUCCESSFULLY.

The abilities of our executive officers and our senior managers to generate business and execute projects successfully is important to our success. While we have employment agreements with some of our executive officers, these agreements do not prevent them from terminating their employment with us. The loss of an executive officer or senior manager could impair our ability to secure and manage engagements.

GOVERNMENT AGENCIES MAY INVESTIGATE AND AUDIT OUR CONTRACTS AND, IF ANY IMPROPRIETIES ARE FOUND, WE MAY BE REQUIRED TO REFUND REVENUES WE HAVE RECEIVED, TO FOREGO ANTICIPATED REVENUES AND MAY BE SUBJECT TO PENALTIES AND SANCTIONS, INCLUDING PROHIBITIONS ON OUR BIDDING FOR RFPs.

The government agencies we contract with have the authority to audit and investigate our contracts with them. As part of that process, the government agency reviews our performance on the contract, our pricing practices, our cost structure and our compliance with applicable laws, regulations and standards. If the agency determines that we have improperly allocated costs to a specific contract, we will not be reimbursed for those costs and we will be required to refund the amount of any such costs which have been reimbursed. If a government audit uncovers improper or illegal activities by us or we otherwise determine that these activities have occurred, we 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. Any adverse determination could adversely impact our ability to bid for RFPs in one or more jurisdictions.

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WE MAY INCUR SIGNIFICANT COSTS BEFORE RECEIVING RELATED REVENUES WHICH COULD RESULT IN CASH SHORTFALLS.

When we are awarded a contract to manage a government program, we may incur significant expenses before we receive contract payments, if any. 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 before receiving related contract payments. In addition, payments due to us from government agencies may be delayed due to billing cycles or as a result of failures to approve governmental budgets in a timely manner. Moreover, any resulting cash shortfall could be exacerbated if we fail to either invoice the government agency or to collect our fee in a timely manner.

INACCURATE, MISLEADING OR NEGATIVE MEDIA COVERAGE COULD ADVERSELY AFFECT OUR REPUTATION AND OUR ABILITY TO BID FOR GOVERNMENT CONTRACTS.

The media frequently focuses its attention on our contracts with government agencies. If the media coverage is negative, it could influence government officials to slow the pace of outsourcing government services, which could reduce the number of RFPs. The media also focuses its attention on the activities of political consultants engaged by us, even when their activities are unrelated to our business, and we may be tainted by adverse media coverage about their activities. Moreover, inaccurate, misleading or negative media coverage about us could harm our reputation and, accordingly, our ability to bid for and win government contracts.



WE OBTAIN MOST OF OUR BUSINESS THROUGH RESPONSES TO GOVERNMENT RFPS. WE MAY NOT BE AWARDED CONTRACTS THROUGH THIS PROCESS IN THE FUTURE AND CONTRACTS WE ARE AWARDED MAY NOT BE PROFITABLE.

Substantially all of our clients are state or local government authorities. To market our services to government clients, we are often required to respond to 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 an RFP's rigid timetable. Our ability to respond successfully to RFPS will greatly impact our business. We may not be awarded contracts through the RFP process and our proposals may not result in profitable contracts.

WE MAY BE UNABLE TO ATTRACT AND RETAIN SUFFICIENT QUALIFIED PERSONNEL NECESSARY TO SUSTAIN OUR BUSINESS.

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, Consulting Group and Systems Group requires that we attract, develop, motivate and retain:

- experienced and innovative executive officers;
- senior managers who have successfully managed or designed government services programs in the public sector; and
- 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 may be unable to continue to attract and retain desirable executive officers and senior managers. Our inability to hire sufficient personnel on a timely basis or the loss of significant numbers of executive officers and senior managers could adversely affect our business.

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IF WE FAIL TO ESTABLISH AND MAINTAIN IMPORTANT RELATIONSHIPS WITH GOVERNMENT ENTITIES AND AGENCIES, OUR ABILITY TO SUCCESSFULLY BID FOR RFPS MAY BE ADVERSELY AFFECTED.

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 also 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. We may be unable to successfully manage our relationships with government entities and agencies and with elected officials and appointees and any failure to do so may adversely affect our ability to bid successfully for RFPS.

THE FEDERAL GOVERNMENT MAY REFUSE TO GRANT CONSENTS AND/OR WAIVERS NECESSARY TO PERMIT PRIVATE ENTITIES, SUCH AS US, TO PERFORM CERTAIN ELEMENTS OF GOVERNMENT PROGRAMS.

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. If the federal government does not grant a necessary consent or waiver, the state or local agency will be unable to outsource that function to a private entity, such as us, which could eliminate or reduce the value of the contract.

OUR BUSINESS COULD BE ADVERSELY AFFECTED BY FUTURE LEGISLATIVE CHANGES THAT WE DO NOT ANTICIPATE OR TO WHICH WE DO NOT RESPOND EFFECTIVELY.

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 Social Security Administration which related to the referral and monitoring of the treatment of recipients of these benefits.

Moreover, part of our growth strategy includes aggressively pursuing opportunities created by the Welfare Reform Act and other federal and state initiatives, which we believe will be implemented to encourage long-term changes in the nation's welfare system by seeking new contracts to administer and new health and welfare programs to manage. However, there are many opponents of welfare reform and, 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. Further, if additional reforms are not proposed or enacted, or if previously enacted reforms are challenged, repealed or invalidated, our growth strategy could be adversely impacted.

IF WE DO NOT SUCCESSFULLY INTEGRATE THE BUSINESSES THAT WE ACQUIRE, OUR RESULTS OF OPERATIONS COULD BE ADVERSELY AFFECTED.

We may be unable to manage businesses that we have acquired or that we may acquire profitably or integrate them successfully without incurring substantial expenses, delays or other problems that could negatively impact our results of operations. To date, we have combined with twelve 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.

Moreover, business combinations involve additional risks, including:

- diversion of management's attention;
- loss of key personnel;
- assumption of unanticipated legal or financial liabilities;
- our becoming significantly leveraged as a result of the incurrence of debt to finance an acquisition;
- unanticipated operating, accounting or management difficulties in connection with the acquired entities;
- amortization of acquired intangible assets, including goodwill; and
- dilution to our earnings per share.

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Also, client dissatisfaction or performance problems with an acquired firm could materially and adversely affect our reputation as a whole. Further, the acquired businesses may not achieve the revenues and earnings we anticipated.

FEDERAL GOVERNMENT OFFICIALS MAY DISCOURAGE STATE AND LOCAL GOVERNMENTAL ENTITIES FROM ENGAGING US, WHICH MAY RESULT IN A DECLINE IN REVENUES.

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 funding. If state and local officials are dissuaded from engaging us for revenue maximization services, we will not receive contracts for, or revenues from, those services.

WE FACE COMPETITION FROM A VARIETY OF ORGANIZATIONS, MANY OF WHICH HAVE SUBSTANTIALLY GREATER FINANCIAL RESOURCES THAN WE DO, AND WE MAY BE UNABLE TO COMPETE SUCCESSFULLY WITH THESE ORGANIZATIONS.

Our Government Operations Group competes for program management contracts with the following:

- government services divisions of large organizations such as Lockheed Martin Corporation, Electronic Data Systems, Inc. and Accenture;
- specialized service providers such as Benova, Inc., Policy Studies Incorporated, Affiliated Computer Services, Inc. and America Works, Inc.; and
- local non-profit organizations such as the United Way, Goodwill Industries and Catholic Charities.

Our Consulting Group competes with:

- the consulting divisions of the "Big 5" accounting firms; and
- small, specialized consulting firms.

Our Systems Group competes with a large number of competitors, including Unisys, KPMG, Accenture, Litton PRC (a Northrop Grumman Company), Peregrine Systems, Inc. and 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 the limited

number of large contracts because we may not be able to meet an RFP's requirement to obtain and post a large cash performance bond. Also, in some geographic areas, we face competition from smaller consulting firms with established reputations and political relationships. We may be unable to compete successfully against our existing or any new competitors.

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WE MAY NOT RECEIVE SUFFICIENT PAYMENTS IN A QUARTER TO COVER ALL OF OUR COSTS INCURRED IN THAT QUARTER.

A number of factors cause our payments and operating results to vary from quarter to quarter, including:

- the progression of contracts;
- the levels of revenues earned on fixed-price and performance-based contracts (including any adjustments in expectations for 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; and
- potential acquisitions.

Changes in the volume of activity and the number of contracts commenced, completed or terminated during any quarter may cause significant variations in our cash flow from operations because a relatively large amount of our expenses are fixed. Moreover, we incur significant operating expenses during the start-up and early stages of large contracts and typically do not receive corresponding payments in that same quarter.

WE ARE CURRENTLY SUBJECT TO INVESTIGATIONS BY THE DISTRICT ATTORNEY'S OFFICE OF NEW YORK COUNTY AND THE UNITED STATES ATTORNEY'S OFFICE FOR THE SOUTHERN DISTRICT OF NEW YORK REGARDING TWO CONTRACTS AWARDED TO US BY THE NEW YORK CITY HUMAN RESOURCES ADMINISTRATION. IF DETERMINED ADVERSELY, WE COULD BE REQUIRED TO PAY PENALTIES AND BE SUBJECT TO ADMINISTRATIVE SANCTIONS.

In January 2000, the New York City Human Resources Administration submitted two contracts that it had awarded to us 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 our conduct. The New York Supreme Court, Appellate Division--First Department ordered the Comptroller to register the contracts in October 2000 after finding no wrongdoing in our conduct. Nevertheless, this matter continues to be the subject of investigations being conducted by certain government 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. These offices reviewed some of our documents and interviewed some of our employees in 2000 and 2001. We believe that our actions were lawful and appropriate and, although there can be no assurance of a favorable outcome, we do not believe that this matter will have a material adverse effect on our financial condition or results of operations.

#### RISKS RELATED TO THIS OFFERING

OUR STOCK PRICE IS VOLATILE AND YOU MAY NOT BE ABLE TO RESELL YOUR SHARES AT OR ABOVE THE PRICE YOU PAID FOR THEM.

We first publicly issued common stock on June 13, 1997 at \$16.00 per share in our initial public offering. Between June 13, 1997 and May 31, 2001, the closing sale price has ranged from a high of \$39.50 per share to a low of \$17.38 per share. The market price of our common stock could continue to 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;

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- the termination by a government client of a material contract;
- the announcement of new services by competitors;
- political and legislative developments adverse to the privatization of government services;

- changes in or failure to meet earnings estimates by securities analysts;
- sales of our common stock by existing shareholders or the perception that these sales may occur;
- adverse judgments or settlements obligating us to pay damages;
- negative publicity; and
- loss of key personnel.

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.

OUR ARTICLES OF INCORPORATION AND BYLAWS INCLUDE PROVISIONS THAT MAY HAVE ANTI-TAKEOVER EFFECTS.

Our Articles of Incorporation and bylaws include provisions that may delay, deter or prevent a takeover attempt that shareholders might consider desirable. For example, our Articles of Incorporation provide that our directors are to be divided into three classes and elected to serve staggered three-year terms. This structure could impede or discourage an attempt to obtain control of us by preventing shareholders from replacing our entire board in a single proxy contest, making it more difficult for a third party to take control of us without the consent of our board of directors. Our Articles of Incorporation further provide that our shareholders may not take any action in writing without a meeting. This prohibition could impede or discourage an attempt to obtain control of us by requiring that any actions required to be taken by shareholders be taken at properly called shareholder meetings.

THE SALE OF A SUBSTANTIAL NUMBER OF SHARES OF OUR COMMON STOCK AFTER THIS OFFERING COULD CAUSE THE MARKET PRICE OF OUR COMMON STOCK TO DECLINE.

Our executive officers, directors and the selling shareholders, who collectively beneficially own approximately 34.2% of our outstanding common stock (approximately 21.8% of our outstanding common stock after completion of this offering), have agreed to hold their shares until 90 days after this offering, subject to certain exceptions. At that time, approximately 5,053,992 shares of common stock held by them will be eligible for immediate resale, of which 4,957,703 will be subject to volume and manner of sale restrictions. Sales, or the availability for sale, of shares of our common stock by these or other shareholders could cause the market price of our common stock to decline. In addition, 812,420 shares held by one shareholder will become freely tradable on June 5, 2001, and approximately 3,857,852 additional shares of common stock issuable upon exercise of vested stock options are currently available for immediate resale.

OUR EXECUTIVE OFFICERS AND DIRECTORS AS A GROUP OWN SUFFICIENT SHARES OF OUR COMMON STOCK TO SIGNIFICANTLY AFFECT THE RESULTS OF ANY SHAREHOLDER VOTE.

Our executive officers and directors beneficially own approximately 33.6% of our common stock (approximately 21.5% of the outstanding common stock after completion of this offering). Two of those individuals, Dr. Mastran and Mr. Ruddy, together beneficially own approximately 31.3% of our common stock (approximately 20.3% of the outstanding common stock after completion of this offering). Mr. Ruddy has agreed to vote his shares of common stock in a manner instructed by

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Dr. Mastran until September 30, 2001. As a result, these executive officers and directors have the ability to significantly influence the outcome of matters requiring a shareholder vote, including the election of our board of directors, amendments to our organizational documents, or approval of any merger, sale of assets or other major corporate transaction. The interests of these executive officers and directors may differ from yours and these executive officers and directors may be able to delay or prevent us from entering into transactions that would result in a change in control, including transactions in which our shareholders might otherwise receive a premium over the then current market price for their shares.

WE HAVE BROAD DISCRETION IN THE USE OF PROCEEDS OF THIS OFFERING.

We have not designated the anticipated net proceeds of this offering for specific uses. Accordingly, our management will have considerable discretion in

the application of the net proceeds of this offering and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. See "Use of Proceeds."

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#### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. These forward-looking statements appear principally in the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." Forward-looking statements may appear in other sections of this prospectus as well. Generally, the forward-looking statements in this prospectus use words like "anticipate," "believe," "could," "estimate," "expect," "future," "intend," "may," "opportunity," "plan," "potential," "project," "will," and similar terms.

These forward-looking statements include statements about:

- our strategic plans;
- the future of our industry;
- the activities of competitors;
- anticipated expenses;
- anticipated sources of future revenues; and
- our need for additional funds.

Forward-looking statements involve risks and uncertainties. Our actual results could differ significantly from the results discussed in the forward-looking statements in this prospectus. Many factors could cause or contribute to these differences, including the factors discussed in the section of this prospectus entitled "Risk Factors." You should carefully read this entire prospectus, particularly the section entitled "Risk Factors," before you make an investment decision.

The forward-looking events discussed in this prospectus might not occur. Therefore, you should not place undue reliance on our forward-looking statements.

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#### USE OF PROCEEDS

If we sell 1,000,000 shares of our common stock in this offering at an assumed offering price of \$36.85 per share, we estimate that our net proceeds will be \$34,053,569, after deducting the underwriting discount and estimated offering expenses that are payable by us. We will not receive any proceeds from the sale of our common stock by the selling shareholders. Additionally, we will not receive any proceeds if the underwriters exercise the overallotment option granted to them by two of the selling shareholders. However, we will receive approximately \$1,605,250 representing the aggregate exercise price of the stock options through the exercise of which some of the selling shareholders will acquire their shares.

We plan to use the net proceeds from this offering for general corporate purposes, including for working capital, expansion of existing operations, strategic acquisitions of complementary businesses or entities, including acquisitions that may be larger than those we have made in the past, and investment in systems infrastructures and new technologies. We have no present plans, commitments, understandings or agreements to acquire any business. We cannot estimate precisely the allocation of the proceeds among these uses, and we may use some of the proceeds from this offering for other purposes. Our management will have broad discretion to allocate proceeds from this offering to uses that it believes are appropriate. We plan to invest the net proceeds of this offering in short-term, investment grade, interest-bearing securities or guaranteed obligations of the United States or its agencies.

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#### MARKET PRICE OF COMMON STOCK AND DIVIDEND POLICY

Our common stock began trading on June 13, 1997 on the New York Stock Exchange under the symbol "MMS." The following table sets forth, for the fiscal periods indicated, the range of high and low closing prices for our common stock on the New York Stock Exchange.

<TABLE>  
<CAPTION>

	HIGH	LOW
	-----	-----

<S>	<C>	<C>
YEAR ENDED SEPTEMBER 30, 1999:		
First Quarter.....	\$37.00	\$26.50
Second Quarter.....	39.50	22.00
Third Quarter.....	31.56	23.13
Fourth Quarter.....	36.00	27.38
YEAR ENDED SEPTEMBER 30, 2000:		
First Quarter.....	\$35.38	\$21.25
Second Quarter.....	38.19	30.25
Third Quarter.....	32.06	20.44
Fourth Quarter.....	24.44	19.50
YEAR ENDING SEPTEMBER 30, 2001:		
First Quarter.....	\$34.94	\$18.44
Second Quarter.....	36.91	29.20
Third Quarter (through May 31, 2001).....	38.26	26.90

</TABLE>

The closing price of our common stock on May 31, 2001, as reported on the New York Stock Exchange was \$36.85 per share. As of May 31, 2001, there were 133 holders of record of our common stock.

As an S corporation prior to our initial public offering, we made a series of cash distributions to shareholders representing our earnings taxed or taxable to those shareholders. We made the last of those distributions at the end of fiscal year 1997. Since that time, we have retained, and currently anticipate that we will continue to retain, all of our earnings for use in developing our business. Distributions reported during fiscal year 1998 were related solely to S corporation distributions by companies with which we combined during the year. The distributions were to those companies' former shareholders and related to earnings prior to combining with us. Future cash dividends, if any, will be paid at the discretion of our board of directors and will depend, among other things, upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and such other factors as our board of directors may deem relevant. We do not anticipate paying any cash dividends in the foreseeable future.

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CAPITALIZATION

The following table sets forth, as of March 31, 2001, our actual capitalization and capitalization as adjusted for the sale of the 1,000,000 shares of our common stock offered by us in this prospectus after deducting underwriting discounts and commissions and estimated offering expenses. You should read the following table in conjunction with the consolidated financial statements and related notes included elsewhere in this prospectus.

<TABLE>  
<CAPTION>

	AS OF MARCH 31, 2001	
	ACTUAL	AS ADJUSTED (1)
	(IN THOUSANDS)	
<S>	<C>	<C>
Cash and cash equivalents and short-term investments.....	\$ 48,344	\$ 82,398
Total debt.....	\$ 355	\$ 355
Shareholders' equity:		
Common stock, no par value; 60,000,000 shares authorized; 21,233,805 shares issued and outstanding; 22,233,805 shares issued and outstanding as adjusted(2).....	135,680	169,734
Accumulated other comprehensive income.....	(13)	(13)
Retained earnings.....	\$ 94,400	\$ 94,400
Total shareholders' equity.....	\$230,067	\$264,121
Total capitalization.....	\$230,422	\$264,476

</TABLE>

- - - - -

(1) Assumes net proceeds from the sale of 1,000,000 shares of our common stock in this offering of \$34,053,569, after deducting the underwriting discount and estimated offering expenses of \$1 million payable by us.

(2) Excludes: (a) an aggregate of 4,187,856 shares issuable upon exercise of



</TABLE>

FOOTNOTES ON FOLLOWING PAGE

<TABLE>  
<CAPTION>

	AS OF SEPTEMBER 30,					AS OF
	1996	1997	1998	1999	2000	MARCH 31,
2001						
-----						
	(UNAUDITED)					
(UNAUDITED)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE SHEET DATA:						
Cash and cash equivalents and short-term investments.....						
	\$ 3,397	\$ 51,875	\$ 32,980	\$ 98,882	\$ 38,334	\$ 48,344
Working capital.....						
	25,467	66,108	78,478	150,472	127,812	146,723
Total assets.....						
	50,993	113,884	126,002	223,036	256,903	270,274
Total debt.....						
	331	1,596	820	578	764	355
Redeemable common stock.....						
	31,758	--	--	--	--	--
Total shareholders' (deficit) equity.....						
	(3,651)	69,041	86,787	175,479	208,933	230,067

</TABLE>

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- (1) In January 1997, we issued options to various employees to purchase 403,975 shares of our common stock at a formula price based on book value. During 1997, we recorded a non-recurring charge against income of \$5,874,000 for the difference between the initial public offering price and the formula price for all options outstanding. We recorded a deferred tax benefit relating to the charge in the amount of \$2,055,000. The option exercise price is a formula price based on the book value of our common stock at September 30, 1996, and was established pursuant to a pre-existing shareholder agreement.
- (2) For the year ended September 30, 1996, and during fiscal year 1997 up to and including June 12, 1997, we elected to be treated as an S corporation and our income was taxed for federal and most state purposes directly to our shareholders. In connection with our initial public offering, our S corporation status terminated and we recorded a deferred tax charge against income of \$2,566,000 for the cumulative differences between the financial reporting and income tax basis of certain assets and liabilities at June 12, 1997. Subsequent to June 12, 1997, we have recorded state and federal income taxes based on earnings for those periods. Income taxes provided for periods prior to our initial public offering related primarily to operations of David M. Griffith & Associates, Ltd., a company we merged with during 1998 in a transaction accounted for as a pooling of interests.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE FOLLOWING DISCUSSION CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. OUR ACTUAL RESULTS COULD DIFFER SUBSTANTIALLY FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF MANY FACTORS, INCLUDING THOSE SET FORTH UNDER "RISK FACTORS" AND ELSEWHERE IN THIS PROSPECTUS. YOU SHOULD READ THE FOLLOWING DISCUSSION TOGETHER WITH OUR FINANCIAL STATEMENTS AND RELATED NOTES THERETO INCLUDED ELSEWHERE IN THIS PROSPECTUS.

OVERVIEW

We are a leading provider of program management, consulting services and systems solutions primarily to state and local government agencies throughout the United States. Since our inception in 1975, we have been at the forefront of innovation in meeting our mission of "Helping Government Serve the People." We use our expertise, experience and advanced information technology to make government operations more efficient and cost-effective while improving the quality of services provided to program beneficiaries. We currently have contracts with government agencies in all 50 states, 49 of the 50 largest cities and 27 of the 30 largest counties. We have been profitable every year since we were founded. For the fiscal year ended September 30, 2000, we had revenues of \$399.2 million and net income of \$30.5 million, and for the six months ended March 31, 2001, we had revenues of \$233.5 million and net income of \$18.5 million.

Prior to October 2000, we conducted our operations through two groups: the Government Operations Group and the Consulting Group. In October 2000, we reorganized our groups to better focus and manage our existing and future technology assets. Our core technology assets were moved from our Consulting Group to our newly created Systems Group. Accordingly, prior period financial information has been reclassified to reflect current period presentation of



segment information.

Our revenues are generated from contracts with various payment arrangements, including: (1) fixed-price; (2) costs incurred plus a negotiated fee ("cost-plus"); (3) performance-based criteria; and (4) time and materials reimbursement (used primarily by the Consulting Group). For the fiscal year ended September 30, 2000, the most recent period for which this information is available, revenues from fixed-price contracts were approximately 47% of total revenues; revenues from cost-plus contracts were approximately 19% of total revenues; revenues from performance-based contracts were approximately 18% of total revenues; and revenues from time and materials reimbursement contracts were approximately 16% of total revenues. Traditionally, a majority of our contracts with state and local government agencies have been fixed-price and performance-based and federal government contracts have been cost-plus. 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 we are subject to the risk of potential cost overruns or inaccurate revenue estimates.

We recognize revenues from cost-plus contracts, including a pro rata amount of the negotiated fee, as costs are incurred. We recognize revenues from fixed-price, performance-based and time and materials reimbursement contracts, including a portion of our estimated profit, as costs are incurred. Each quarter, management reviews the costs incurred, the revenues recognized and billings from government contracts to adjust recognized revenue amounts.

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, 2000, our average Government Operations contract duration was approximately 2.3 years. Our Consulting Group contracts had performance periods ranging from one month to approximately two years. Our average Systems Group contract duration was 1.5 years.

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Our most significant expense is cost of revenues, which consists primarily of project-related employee salaries and benefits, subcontractors, computer equipment and travel expenses. Our ability to accurately predict personnel requirements, salaries and other costs as well as to effectively manage a project or to achieve certain levels of performance can have a significant impact on the service costs related to our fixed-price, performance-based and time and materials reimbursement contracts. Service cost variability has little impact on cost-plus arrangements because allowable costs are reimbursed by the client.

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 our growth strategy, we intend to continue to selectively identify and pursue complementary businesses to expand our geographic reach and the breadth and depth of our services and to enhance our customer base, including pursuing acquisitions that may be larger than those we have made in the past. Since the beginning of fiscal 2000, we have completed the following transactions:

<TABLE>  
<CAPTION>

ACQUIRED COMPANY	DESCRIPTION OF BUSINESS	DATE	PURCHASE PRICE	INTANGIBLE ASSETS RECORDED
<S> Opportunity America LLC	<C> Employment training and placement	<C> May 11, 2001	<C> \$750,000	<C> \$725,000
Strategic Partners International LLC	Activity-based costing systems	July 19, 2000	\$1,800,000	\$1,609,000
Technology Management Resources	Child support collection services	April 29, 2000	\$9,674,000	\$10,036,000
Valuation Resource Management, Inc.	Asset inventorying and valuation services	April 14, 2000	\$4,500,000	\$3,585,000
Asset Works, Inc.	Infrastructure management systems	April 12, 2000	\$8,613,000	\$8,674,000
3-G International, Inc.	Smart-card systems	March 31, 2000	\$7,000,000 plus an earn-out of	\$7,054,000 (excludes May

			\$1,126,000 paid May 2001	earn-out payment)
Crawford Consulting, Inc.	Web-enabled information systems	March 20, 2000	\$16,750,000	\$11,887,000
Public Systems, Inc.	Client-server management systems	October 20, 1999	\$5,000,000	\$4,540,000

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RESULTS OF OPERATIONS

<TABLE>  
<CAPTION>

	YEAR ENDED SEPTEMBER 30,			SIX MONTHS ENDED
	1998	1999	2000	MARCH 31, 2001
-				
<S>	<C>	<C>	<C>	<C>
Revenues:				
Government Operations Group.....	57.0%	55.5%	55.4%	54.4%
Consulting Group.....	34.0	31.3	30.0	31.0
Systems Group.....	9.0	13.2	14.6	14.6
	-----	-----	-----	-----
Total revenues.....	100.0	100.0	100.0	100.0
Cost of revenues.....	74.3	70.4	68.3	68.2
	-----	-----	-----	-----
Gross profit:				
Government Operations Group.....	18.0	19.7	23.1	21.5
Consulting Group.....	37.4	41.6	41.7	43.9
Systems Group.....	30.4	42.8	44.0	44.4
	-----	-----	-----	-----
Total gross profit as percentage of total revenues.....	25.7	29.6	31.7	31.8
Selling general and administrative expenses.....	14.3	15.8	17.0	17.2
Merger, deferred compensation and ESOP expense.....	1.5	0.2	0.1	--
Amortization of goodwill and other acquisition-related intangibles.....	--	0.1	0.8	1.2
Legal settlement expense.....	--	--	0.9	--
	-----	-----	-----	-----
Income from operations.....	9.9	13.5	12.9	13.4
Interest and other income.....	0.7	1.1	0.7	0.1
	-----	-----	-----	-----
Income before income taxes.....	10.6	14.6	13.6	13.5
Provision for income taxes.....	4.2	6.0	6.0	5.6
	-----	-----	-----	-----
Net income.....	6.4%	8.6%	7.6%	7.9%
	=====	=====	=====	=====

</TABLE>

SIX MONTHS ENDED MARCH 31, 2001 COMPARED TO SIX MONTHS ENDED MARCH 31, 2000

REVENUES. Our total contract revenues increased 27.5% to \$233.5 million for the six months ended March 31, 2001 from \$183.2 million for the same period in 2000. Revenues of our Government Operations Group increased 20.8% to \$127.1 million for the six months ended March 31, 2001 from \$105.2 million for the same period in 2000. This increase was due to an increase in the number of contracts plus revenue totaling \$2.8 million received during the six month period ended March 31, 2001 from entities acquired after the start of the six month period ended March 31, 2000. Revenues of our Consulting Group increased 32.9% to \$72.3 million for the six months ended March 31, 2001 from \$54.4 million for the same period in 2000. This increase was due to an increase in the number of contracts plus revenue totaling \$4.2 million received during the six month period ended March 31, 2001 from entities acquired after the start of the six month period ended March 31, 2000. Revenues of our Systems Group increased 44.8% to \$34.1 million for the six months ended March 31, 2001 from \$23.6 million for the same period in 2000. This increase was primarily due to revenue totaling \$10.1 million received during the six month period ended March 31, 2001 from entities acquired after the start of the six month period ended March 31, 2000. For the six months ended March 31, 2001 compared to the six months ended March 31, 2000, our overall growth in revenue was 18.1% excluding the revenue from entities we acquired after the period ended March 31, 2000.

GROSS PROFIT. Our total gross profit increased 30.6% to \$74.2 million for the six months ended March 31, 2001 from \$56.9 million for the same period in 2000. Gross profit of our Government Operations Group increased 16.3% to \$27.3 million for the six months ended March 31, 2001 from \$23.5 million for the six months ended March 31, 2000. As a percentage of Government Operations

Group revenues, Government Operations Group gross profit decreased to 21.5% for the six months ended March 31, 2001 from 22.3% for the same period in 2000. The decrease was due to additional revenue being recognized in the six months ended March 31, 2000 upon the completion of one contract. Gross profit of our Consulting Group increased 43.0% to \$31.7 million for the six months ended March 31, 2001 from \$22.2 million for the same period in 2000. As a percentage of Consulting Group revenues, Consulting Group gross profit increased to 43.9% for the six months ended March 31, 2001 from 40.8% for the same period in 2000, primarily due to improved margins. Gross profit of our Systems Group increased 35.8% to \$15.2 million for the six months ended March 31, 2001 from \$11.2 million for the same period in 2000 due to increased revenues. As a percentage of Systems Group revenues, Systems Group gross profit decreased to 44.4% for the six months ended March 31, 2001 from 47.3% for the same period in 2000, due primarily to a decline in software license sales.

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.** Our SG&A expenses increased 31.1% to \$40.3 million for the six months ended March 31, 2001 from \$30.7 million for the same period in 2000. The primary reasons for the increase in SG&A costs were the increase in marketing and proposal preparation expenditures incurred to pursue further growth and, to a lesser extent, the increase in corporate and administrative staff to 192 at March 31, 2001 from 183 at March 31, 2000. As a percentage of our revenues, our SG&A expenses increased to 17.2% for the six months ended March 31, 2001 from 16.8% for the same period in 2000.

**AMORTIZATION OF GOODWILL AND OTHER ACQUISITION-RELATED INTANGIBLES.** In the quarter ended March 31, 2001, we incurred \$2.8 million of amortization expense, as compared to \$0.6 million for the same period in 2000. The increase is due to amortization of \$56.0 million of goodwill and other acquisition-related intangible assets we recorded in connection with acquisitions we completed through fiscal year 2000.

**INTEREST AND OTHER INCOME.** The decrease in interest and other income to \$0.5 million for the six months ended March 31, 2001 as compared to \$2.1 million for the same period in 2000 was due to a decrease in the average balance of funds we invested.

**PROVISION FOR INCOME TAXES.** Our provision for income tax for the six months ended March 31, 2001 was 41.5% of income before income taxes as compared to 41.3% for the six months ended March 31, 2000. This increase was due to differences in the amounts of certain expense items, primarily amortization of intangible assets, some of which is not deductible for tax purposes.

#### YEAR ENDED SEPTEMBER 30, 2000 COMPARED TO YEAR ENDED SEPTEMBER 30, 1999

**REVENUES.** Our total revenues increased 24.9% to \$399.2 million in fiscal 2000 from \$319.5 million in fiscal 1999. Revenues of our Government Operations Group increased 24.7% to \$221.2 million in fiscal 2000 from \$177.4 million in fiscal 1999. This increase was due to an increase in the number of contracts in the group plus revenue totaling \$8.0 million received from entities acquired after the start of the period ended September 30, 1999. Revenues of our Consulting Group increased 19.9% to \$119.9 million in fiscal 2000 from \$100.0 million in fiscal 1999. This increase was due to an increase in the number of contracts, revenues totaling \$3.9 million from companies purchased in fiscal 2000 and revenue growth from companies that we purchased during fiscal 1999. Revenues of our Systems Group increased 37.8% to \$58.1 million in fiscal 2000 from \$42.1 million in fiscal 1999. This increase was due primarily to revenues totaling \$14.6 million from companies purchased in fiscal 2000.

**GROSS PROFIT.** Our total gross profit increased 33.7% to \$126.5 million in fiscal 2000 from \$94.6 million in fiscal 1999. Gross profit of our Government Operations Group increased 45.7% to \$51.0 million in fiscal 2000 from \$35.0 million in fiscal 1999. As a percentage of Government Operations Group revenues, Government Operations Group gross profit increased to 23.1% in fiscal 2000 from 19.7% in fiscal 1999. This increase was primarily due to improved gross margins on a few

projects within the Group. Gross profit of our Consulting Group increased 20.1% to \$50.0 million in fiscal 2000 from \$41.6 million in fiscal 1999. As a percentage of Consulting Group revenues, Consulting Group gross profit remained relatively unchanged. Gross profit of our Systems Group increased 41.8% to \$25.6 million in fiscal 2000 from \$18.0 million in fiscal 1999. As a percentage of Systems Group revenues, Systems Group gross profit increased to 44.0% in fiscal 2000 from 42.8% in fiscal 1999. The improvement in gross margin for the Systems Group was due primarily to the impact of a 50.6% margin realized by one division in the Group.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Our SG&A expenses increased 34.2% to \$67.9 million in fiscal 2000 from \$50.6 million in fiscal 1999. As a percentage of revenues, SG&A expenses increased to 17.0% for fiscal 2000 from 15.8% for fiscal 1999. This increase in costs was due to increases in the number of non-project professional and administrative personnel and the amount of professional fees necessary to support our growth and marketing and proposal preparation expenditures incurred to pursue further growth. During fiscal 2000, the total number of support staff employees increased and we further expanded the Government Affairs and Investor Relations unit and the Information Systems unit. In fiscal 2000, the number of administrative and systems personnel increased 33.6% to 342 from 256 in fiscal 1999 and the number of employees increased from 3,285 total employees at September 30, 1999 to 4,205 total employees at September 30, 2000.

MERGER, DEFERRED COMPENSATION AND ESOP EXPENSES. During fiscal year 2000, we incurred \$0.2 million of non-recurring expenses in connection with acquisitions we completed during the year. These expenses consisted of legal, audit and due diligence expenses. During fiscal year 1999, we incurred \$0.5 million of non-recurring expenses in connection with acquisitions. These expenses consisted of legal, audit and due diligence expenses.

AMORTIZATION OF GOODWILL AND OTHER ACQUISITION-RELATED INTANGIBLES. During fiscal year 2000, we incurred \$3.2 million of amortization expense related to the \$56.1 million of goodwill and other acquisition-related intangible assets we recorded in connection with acquisitions we completed during fiscal 1999 and fiscal 2000. During fiscal year 1999, we incurred \$0.3 million of amortization expense related to the \$7.6 million of goodwill and other acquisition-related intangible assets we recorded in connection with the acquisitions we completed during the year.

LEGAL SETTLEMENT EXPENSE. In the fourth quarter of fiscal 2000, we incurred an expense of \$3.7 million to settle, without admission of fault or liability by us, litigation brought against us by a former officer, director and shareholder in connection with our repurchase of his shares following his resignation in 1996.

PROVISION FOR INCOME TAXES. Income tax expense increased 25.2% to \$24.1 million in fiscal 2000 from \$19.2 million in fiscal 1999. As a percentage of income before income taxes, the income tax expense increased to 44.2% for fiscal 2000 from 41.0% for fiscal 1999. This increase was due primarily to the non-deductibility of the legal settlement expense discussed above.

YEAR ENDED SEPTEMBER 30, 1999 COMPARED TO YEAR ENDED SEPTEMBER 30, 1998

REVENUES. Our total revenues increased 30.9% to \$319.5 million in fiscal 1999 from \$244.1 million in fiscal 1998. Revenues of our Government Operations Group increased 27.4% to \$177.4 million in fiscal 1999 from \$139.3 million in fiscal 1998. This increase was due to an increase in the number of contracts in the group. Revenues of our Consulting Group increased 20.4% to \$100.0 million in fiscal 1999 from \$83.0 million in fiscal 1998. This increase was due to an increase in the number of contracts, revenues totaling \$5.1 million from companies we purchased in fiscal 1999 and revenue growth from companies that merged with us in fiscal 1998 in transactions accounted for as immaterial poolings of interests. These companies had \$2.2 million of pre-merger revenues in fiscal 1998 that were not included in our reported fiscal 1998 revenue. Revenues of our Systems Group increased 93.0% to

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\$42.1 million in fiscal 1999 from \$21.8 million in fiscal 1998. This increase was primarily due to revenue growth of \$18.1 million from companies that merged with us in fiscal 1998 in transactions accounted for as immaterial poolings of interests. These companies had \$11.5 million of pre-merger revenues in fiscal 1998 that were not included in our reported fiscal 1998 revenue.

GROSS PROFIT. Our total gross profit increased 50.9% to \$94.6 million in fiscal 1999 from \$62.7 million in fiscal 1998. Gross profit of our Government Operations Group increased 39.6% to \$35.0 million in fiscal 1999 from \$25.0 million in fiscal 1998. As a percentage of Government Operations Group revenues, Government Operations Group gross profit increased to 19.7% in fiscal 1999 from 18.0% in fiscal 1998. This increase was primarily due to improved gross margins on two of the three Health Management Services contracts we purchased in fiscal 1998. Gross profit of our Consulting Group increased 34.1% to \$41.6 million in fiscal 1999 from \$31.0 million in fiscal 1998. As a percentage of Consulting Group revenues, Consulting Group gross profit increased to 41.6% in fiscal 1999 from 37.4% in fiscal 1998. The improvement in gross margin for the Consulting Group was due to improved operating efficiencies within the group. Systems Group gross profit increased 171.6% to \$18.0 million in fiscal 1999 from \$6.6 million in fiscal 1998. As a percentage of Systems Group revenues, Systems Group gross profit increased to 42.8% in fiscal 1999 from 30.4% in fiscal 1998. The improvement in gross margin for the Systems Group was due primarily to the impact of a 50.0% margin realized by one division in the Group, which constituted 45.1% of fiscal 1999 Systems Group revenues, compared to only 20.3% of fiscal 1998 Systems Group revenues.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Our total SG&A expenses

increased 45.0% to \$50.6 million in fiscal 1999 from \$34.9 million in fiscal 1998. As a percentage of revenues, SG&A increased to 15.9% for fiscal 1999 from 14.3% for fiscal 1998. This increase in costs was due to increases in the number of non-project professional and administrative personnel and the amount of professional fees necessary to support our growth and marketing and proposal preparation expenditures incurred to pursue further growth. We established a Government Affairs and Investor Relations unit at the end of fiscal 1998 and significantly increased the size of our Information Systems unit during fiscal 1999. From September 30, 1998 to September 30, 1999 the number of administrative and systems personnel increased 23.1% from 208 to 256 and the total number of employees increased from 2,870 total employees at September 30, 1998 to 3,285 total employees at September 30, 1999.

**MERGER, DEFERRED COMPENSATION AND ESOP EXPENSES.** During fiscal year 1999, we incurred \$0.5 million of non-recurring expenses in connection with acquisitions we completed during the year. These expenses consisted of legal, audit and due diligence expenses. During fiscal year 1998, we incurred \$3.7 million of non-recurring expenses in connection with acquisitions we completed during the year. These expenses consisted of legal, audit, broker, trustee, deferred compensation and other expenses and the acceleration of expenses related to stock appreciation rights for employees of one of our acquired companies totaling \$0.9 million.

**AMORTIZATION OF GOODWILL AND OTHER ACQUISITION-RELATED INTANGIBLES.** We incurred \$0.3 million of amortization expense related to the \$7.6 million of goodwill and other acquisition-related intangible assets we recorded in connection with acquisitions during fiscal 1999. We did not incur any amortization expenses in fiscal 1998 because we accounted for all acquisitions we completed during that fiscal year as poolings of interests.

**PROVISION FOR INCOME TAXES.** Our income tax expense increased 84.3% to \$19.2 million in fiscal 1999 from \$10.4 million in fiscal 1998. As a percentage of income before income taxes, our income tax expense increased to 41.0% for fiscal 1999 from 40.2% for fiscal 1998. This increase was due primarily to the effect of the termination of the S corporation status of Control Software, Inc. upon its merger with us.

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QUARTERLY RESULTS

Set forth below are selected income statement data for the eight quarters ended March 31, 2001. We derived this information from unaudited quarterly financial statements that include, in the opinion of our management, all adjustments necessary for a fair presentation of the information for such periods. You should read this information in conjunction with the consolidated financial statements and related notes thereto included in this prospectus. Results of operations for any fiscal quarter are not necessarily indicative of results for any future period.

<TABLE>  
<CAPTION>

		QUARTER ENDED						
		JUNE 30,	SEPT. 30,	DEC. 31,	MAR. 31,	JUNE 30,	SEPT. 30,	DEC.
		1999	1999	1999	2000	2000	2000	
31,	MAR. 31,							
2000	2001							
		(IN THOUSANDS, EXCEPT PER SHARE DATA)						
<S>		<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>								
Revenues:								
Government Operations Group.....		\$ 47,427	\$ 48,640	\$ 51,180	\$ 54,030	\$ 55,629	\$ 60,338	\$
60,483	\$ 66,586							
Consulting Group.....		24,796	27,641	27,141	27,255	31,150	34,371	
35,539	36,763							
Systems Group.....		11,945	10,455	11,362	12,216	18,798	15,694	
16,894	17,256							
Total revenues.....		84,168	86,736	89,683	93,501	105,577	110,403	
112,916	120,605							
Cost of revenues.....		58,467	61,318	62,085	64,249	71,832	74,454	
77,254	82,046							
Gross profit:								
Government Operations Group.....		9,494	10,078	11,167	12,347	12,733	14,736	
12,786	14,554							
Consulting Group.....		10,452	11,032	11,327	10,855	12,352	15,448	
15,076	16,655							
Systems Group.....		5,755	4,308	5,104	6,050	8,660	5,765	
7,800	7,350							

Total gross profit.....	25,701	25,418	27,598	29,252	33,745	35,949	
35,662 38,559							
Selling, general and administrative expenses.....	13,844	12,737	15,426	15,281	18,036	19,204	
19,751 20,509							
Merger, deferred compensation and ESOP expense.....	152	210	--	--	210	15	
-- --							
Amortization of goodwill and other acquisition-related intangibles.....	88	172	274	371	1,079	1,488	
1,392 1,359							
Legal settlement expense.....	--	--	--	--	--	3,650	
-- --							
Income from operations.....	11,617	12,299	11,898	13,600	14,420	11,592	
14,519 16,691							
Interest and other income.....	965	1,364	1,050	1,099	366	530	
288 166							
Income before income taxes.....	12,582	13,663	12,948	14,699	14,786	12,122	
14,807 16,857							
Provision for income taxes.....	5,131	5,756	5,288	6,133	6,188	6,478	
6,145 6,996							
Net income.....	\$ 7,451	\$ 7,907	\$ 7,660	\$ 8,566	\$ 8,598	\$ 5,644	\$
8,662 \$ 9,861							
Earnings per share:							
Basic.....	\$ 0.36	\$ 0.38	\$ 0.36	\$ 0.41	\$ 0.41	\$ 0.27	\$
0.41 \$ 0.46							
Diluted.....	\$ 0.35	\$ 0.37	\$ 0.36	\$ 0.40	\$ 0.40	\$ 0.26	\$
0.40 \$ 0.45							

Our revenues and operating results are subject to significant variation from quarter to quarter depending on a number of factors, including:

- the progress of contracts;
- revenues earned on contracts;
- the commencement and completion of contracts during any particular quarter;
- the schedule of government agencies for awarding contracts; and
- the term of each contract that we have been awarded.

Because a significant portion of our expenses are relatively fixed, successful contract performance and variation in the volume of activity as well as in the number of contracts commenced or completed during any quarter may cause significant variations in operating results from quarter to quarter. Further, we have occasionally experienced a pattern in our results of operations pursuant to which we

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incur greater operating expenses during the start-up and early stages of significant contracts prior to receiving related revenues. Our quarterly results may fluctuate, causing a material adverse effect on our operating results and financial condition.

#### LIQUIDITY AND CAPITAL RESOURCES

For the six months ended March 31, 2001, cash provided by operations was \$13.3 million as compared to cash used in operations of \$3.9 million for the six months ended March 31, 2000. Improvements in realizations on accounts receivable collections, from an increase in accounts receivable of \$6,884 in the first quarter of 2000 to a decrease in accounts receivable of \$8,129 in the first quarter of 2001, have had a significant positive effect in the first six months of fiscal 2001, partially offset by an increase in costs and estimated earnings in excess of billings (i.e., unbilled receivables) and a decrease in billings in excess of costs and estimated earnings (i.e., deferred revenue). The increase in unbilled accounts receivable and the decrease in deferred revenues during the six months ended March 31, 2001 were due to a number of new contract startups

and the impact of a number of contracts for which billings do not match costs incurred in connection with such contracts. We believe that the unbilled receivables will decrease during the remainder of fiscal 2001, resulting in a positive effect on cash flow. Higher income after adjustment for depreciation and amortization and changes in working capital accounts has also favorably impacted our operating cash flow.

For the six months ended March 31, 2001, cash used in investing activities was \$5.3 million as compared to \$12.7 million for the six months ended March 31, 2000. Cash used in investing activities for the six months ended March 31, 2001 primarily consisted of expenditures for capitalized software costs totaling \$3.8 million and purchases of property and equipment of \$2.3 million. During the six months ended March 31, 2000, we generated cash from sales of marketable securities, substantially all of which consisted of short-term municipal bonds totaling \$10.7 million, and used \$21.5 million in cash for two acquisitions.

Cash provided by financing activities during the six months ended March 31, 2001 was \$2.0 million and during the six months ended March 31, 2000 was \$1.5 million, which consisted primarily of sales of stock to employees through our employee stock purchase plan and stock option plan during both periods.

Cash used in investing activities totaled \$25.0 million during the year ended September 30, 2000 as compared to \$45.1 million of cash used in investing activities for the year ended September 30, 1999. The \$25.0 million of cash used in investing activities for the year ended September 30, 2000 consisted of \$53.3 million for acquisitions, net of cash acquired, \$5.0 million for the purchase of property and equipment (of which \$1.6 million was for improvements to the corporate headquarters building), and \$2.8 million for capitalized software development costs, offset by the sale of marketable securities totaling \$36.1 million. The \$45.1 million of cash used in investing activities for the year ended September 30, 1999 consisted of purchases of marketable securities totaling \$23.2 million, \$8.0 million for the purchase of our corporate headquarters in Reston, Virginia, \$11.2 million for acquisitions, net of cash acquired, and \$2.6 million for the purchase of property and equipment.

Cash used in financing activities totaled \$4.5 million during the year ended September 30, 2000 and consisted of \$6.8 million of payments on borrowings of companies which were acquired during the year, offset by the receipt of proceeds of \$2.3 million from the issuance of common stock through option exercises and through purchases under our employee stock purchase plan. Cash provided by financing activities totaled \$59.3 million during the year ended September 30, 1999 and consisted primarily of \$61.0 million of proceeds, net of offering expenses, from our secondary offering of common stock that we completed in December 1998.

We had a \$10.0 million revolving credit facility with a bank, which was available for borrowing and the issuance of letters of credit. We had not used the credit facility to finance our working capital

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needs, and our management decided to allow the credit facility to expire at March 31, 1999. We may in the future incur indebtedness to finance acquisitions.

We believe that we will have sufficient resources to meet our currently anticipated capital expenditure and working capital cash needs over the next twelve months.

#### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We believe that our exposure to market risk related to the effect of changes in interest rates, foreign currency exchange rates, commodity prices and equity prices with regard to instruments entered into for trading or for other purposes is immaterial.

#### NEW ACCOUNTING PRONOUNCEMENT

In December 1999, the staff of the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements. SAB 101 summarizes some of the staff's interpretations of application of generally accepted accounting principles to revenue recognition, including presentation in the consolidated financial statements. The staff provided guidance due, in part, to the large number of revenue recognition issues that it has encountered in registrant filings.

Under SAB 101, we will recognize revenue on many of our performance-based contracts as billings are rendered to customers, rather than as costs are incurred. Upon adopting SAB 101, we will adjust our financial statements for the

six months ended March 31, 2001 to reflect the change in revenues and profit resulting from the application of the new accounting principle. We are currently evaluating the impact that SAB 101 will have on our financial statements and we intend to adopt SAB 101 in the fourth quarter of fiscal 2001.

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BUSINESS

OVERVIEW

We are a leading provider of program management, consulting services and systems solutions primarily to state and local government agencies throughout the United States. Since our inception in 1975, we have been at the forefront of innovation in meeting our mission of "Helping Government Serve the People-Registered Trademark-." We use our expertise, experience and advanced information technology to make government operations more efficient and cost-effective while improving the quality of services provided to program beneficiaries. We currently have contracts with government agencies in all 50 states, 49 of the 50 largest cities and 27 of the 30 largest counties. For the year ended September 30, 2000, our five largest contracts were with government agencies in Texas, California, New York, Maryland and New Jersey and accounted for approximately 20.6% of our fiscal 2000 revenues. We have been profitable every year since we were founded. For the fiscal year ended September 30, 2000, we had revenues of \$399.2 million and net income of \$30.5 million, and for the six months ended March 31, 2001, we had revenues of \$233.5 million and net income of \$18.5 million.

We conduct our operations through three groups: our Government Operations Group, our Consulting Group and our Systems Group. Our Government Operations Group administers and manages state and local government programs on a fully-outsourced basis. Examples of these programs include welfare-to-work and job readiness, child care, child support enforcement, managed care enrollment and disability services. Our Consulting Group provides program planning and quality assurance services to state and local government agencies, in addition to general management consulting services and specialized services such as assisting state and local agencies in maximizing federal funding for their programs. Our Systems Group provides state and local agencies with systems design and implementation to improve the efficiency and cost-effectiveness of their program administration. We offer our own suite of proprietary software products in addition to customized versions of popular applications such as PeopleSoft.

We believe that we are well-positioned to benefit from the continued increase in demand for new program management, consulting services and systems solutions that has arisen in an environment characterized by changing regulation and evolving technology. We believe that fiscal pressures will compel state governments to continue to rationalize program operations and upgrade existing technology to operate more cost-efficient and productive programs. To achieve these efficiencies, we believe that many government agencies will turn to outside experts, including us, for help.

MARKET OPPORTUNITIES

OVERVIEW

We believe that providing program management, consulting services and systems solutions to government agencies continues to represent significant market opportunities. The federal, state and local government agencies in the United States to which we market our services spend more than \$250 billion annually on health and human services programs including Medicaid, Children's Health Insurance, Food Stamps, Child Support Enforcement, Supplemental Security Income, Temporary Assistance to Needy Families, and various other programs. Based on currently available data published by the federal government, we estimate that states spend over \$23 billion annually to administer these programs, of which we estimate only a small portion was outsourced to private service providers, including us. We believe that state and local government agencies will increasingly rely on private service providers to administer their programs and will also increasingly engage consultants as they seek

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to reduce costs and improve the delivery of services. The following table describes the market for our services:

<TABLE>  
<CAPTION>

STATE-OPERATED PROGRAM	ESTIMATED NUMBER OF BENEFICIARIES SERVED	ESTIMATED ANNUAL ADMINISTRATIVE EXPENDITURES
Medicaid.....	40.6 million	\$ 6.9 billion
Food Stamps.....	19.8 million	4.0 billion
Child Support Enforcement.....	11.9 million	3.6 billion
Supplemental Social Security Income.....	6.6 million	2.5 billion
Temporary Assistance to Needy Families.....	7.2 million	2.3 billion



Children's Health Insurance.....	3.3 million	0.4 billion
Certain Other Social Services.....	6.8 million	3.5 billion
	-----	-----
Total.....	96.2 million	\$23.2 billion

</TABLE>

LEGISLATIVE INITIATIVES

In the last several years, there has been a significant increase in legislation and initiatives to reform federal, state and local health and human services programs, including the Welfare Reform Act of 1996, the Balanced Budget Act of 1997, Government Accounting Standards Board Statement No. 34 and the Health Insurance Portability and Accountability Act of 1996.

WELFARE REFORM ACT OF 1996. The Welfare Reform Act was one of the most significant of the legislative reforms and restructured the benefits available to welfare recipients, eliminated unconditional welfare entitlement and, most importantly, restructured the funding relationships between federal and state governments. Under the Welfare Reform Act, states receive block grant funding from the federal government and may no longer seek reimbursement in the form of matching federal government funds for expenditures in excess of block grants. Accordingly, states bear the financial risk for the operation of their welfare programs.

All states and many local governments are taking action to respond to welfare reform. Some of these actions include enlisting the advice of specialized management consultants on ways to more efficiently and effectively administer their health and human services programs and in many cases outsource the management of such programs completely. As a result, we have been awarded performance-based contracts to manage health care enrollment services contracts for government agencies in California, New York, Texas, Massachusetts, Michigan, New Jersey, Iowa, Kansas, Colorado and Vermont. We have also been retained by numerous states and municipalities to provide welfare reform related consulting services.

Further, as an increasing number of individuals are enrolled in managed care plans, a need has arisen to provide a mechanism by which disputes between patients and their managed healthcare plan can be resolved. We operate the nation's largest system for the resolution of disputes among health plans, subscribers and providers through independent external review. We are the sole national contractor to the Federal Health Care Financing Administration for external appeals in the Medicare Managed Care Program and have rapidly expanded our services into 15 state governments.

BALANCED BUDGET ACT OF 1997. The Balanced Budget Act established, among other programs, the State Children's Health Insurance Program. This program provides federal matching funds to enable states to expand health care to targeted uninsured, low-income children over a five-year period. Under the Balanced Budget Act, the federal government made \$39.7 billion available over ten years to states with federally-approved plans to expand state Medicaid programs, initiate new insurance programs or combine programs. In June 1998, the federal government also mandated sweeping protections to Medicare beneficiaries, including increased access to health plans by persons with pre-existing illnesses, added protections for women and non-English speaking beneficiaries and increased availability of

specialists. Given the breadth and depth of our expertise, we have capitalized upon these new opportunities by assisting states in planning, implementing and maintaining the increased enrollment and outreach required by these federal initiatives.

GOVERNMENTAL ACCOUNTING COMPLIANCE. Another emerging market created by changes in legislation or government policy is helping states and municipal governments comply with Governmental Accounting Standards Board Statement No. 34 adopted in 1999. GASB 34 requires government entities to properly value and account for their capital assets and infrastructure. Compliance with these new rules is being phased in over a five-year period beginning in 2001. Our Consulting Group is well-positioned to assist states and municipal governments in complying with GASB 34 as it has the requisite experience to perform all the services necessary to ensure compliance. We have already entered into 120 contracts valued at approximately \$4.5 million to perform these services.

HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996. The Health Insurance Portability and Accountability Act requires health care programs, including Medicaid, Medicare and most government-funded health care programs, to comply with new requirements governing billing and payment policies, exchange of eligibility and enrollment information, referral and authorization processes for medical services and ensuring patient privacy. Accordingly, each state will have to evaluate and update its Medicaid Management Information Systems, a process we are well-positioned to perform.

MARKET OUTLOOK

We believe that the legislative changes described above, when combined with

political pressures and the financial constraints that inevitably result, will accelerate the rate at which state and local government agencies seek new solutions to reduce costs and improve the effectiveness of health and human services programs. We believe that government agencies will continue to turn to companies like ours to achieve these ends. We believe that we administer government programs more effectively than government agencies themselves due to our ability to:

- attract and compensate experienced, high-level management personnel;
- rapidly procure and use advanced technology;
- vary the number of personnel on a project to match fluctuating work loads;
- increase productivity by providing employees with financial incentives and performance awards and by terminating non-productive employees;
- provide employees with ongoing training and career development assistance; and
- maintain a modern and efficient work environment that is more conducive to employee productivity.

We believe that state and local governments will continue to seek our services despite the effect of economic cycles on government budgets. Historically, in times of both budget surpluses and deficits, state and local governments have relied on the private sector to deliver services to their citizens. In recent years, as governments at all levels have experienced budget surpluses, new programs, including the Children's Health Insurance Program, have been initiated to assist even more sectors of society, increasing the population of beneficiaries of our services. In more austere times, the population enrolled in existing government health and welfare programs expands, requiring governments to spend more to administer these programs, while facing increased pressure to do so cost-effectively. Because our contracts are typically volume based, our business has continued to expand, even in depressed economic cycles.

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#### COMPETITIVE ADVANTAGES

We believe that we have been a pioneer in offering state and local government agencies a compelling private sector alternative to internal administration of government programs. The following competitive advantages position us to capitalize on the significant market opportunities presented by changes in the ways government provides services.

**SINGLE MARKET FOCUS.** We believe that we are the largest company dedicated to providing program management, consulting services and systems solutions primarily to state and local government agencies. We have accumulated a detailed knowledge base and understanding of the regulation and operation of government programs that allows us to apply proven methodologies, skills and solutions to new projects in a cost-effective and timely fashion. We believe that the depth and breadth of our government program expertise and related areas of government program management differentiate us from both small firms and non-profit organizations with limited resources and skill sets as well as from large consulting firms that serve multiple industries but lack the focus necessary to understand the complex nature of serving government agencies.

**PROVEN TRACK RECORD.** Since 1975, we have successfully and profitably applied our private sector approach to assisting state and local government agencies. We have successfully completed hundreds of large-scale program management and consulting projects for state and local government agencies serving millions of beneficiaries in nearly every state and we currently have more than 3,000 clients. We believe that the successful execution of these projects has enhanced our reputation for providing efficient and cost-effective services to government agencies while improving the quality of services provided to program beneficiaries. Our reputation has contributed significantly to our ability to compete successfully for new contracts.

**ABILITY TO RESPOND TO RFPS.** State and local government agencies award contracts to third party providers through a lengthy and complicated bidding and proposal process. We have significant experience in assembling the large amounts of information required to submit detailed proposals in response to RFPS in a timely manner. In addition, the expertise and experience of our managers and employees enables us to accurately estimate project costs and productivity levels. As a result, our proposals allow us to meet RFP requirements and to earn a profit. Coupled with a reluctance on the part of government agencies to award contracts to unproven companies, we believe that our ability to respond to RFPS has contributed significantly to our success.

**PROPRIETARY PROGRAM MANAGEMENT SOLUTION.** We have developed a proprietary automated case management software program called the MAXSTAR Human Services Application Builder. The MAXSTAR program tracks program participants, interfaces with government databases and monitors cases of program participants. MAXSTAR reduces our project implementation time and cost because it is easily scalable and customizable and facilitates our project management capability by enabling

us to organize and manage large amounts of information necessary to operate programs effectively. Because government agencies are often required to manage vast amounts of data and large numbers of cases without access to advanced technology and experienced professionals, we believe that MAXSTAR, together with our experienced information technology professionals, is a key element of our success.

**WIDE RANGE OF SERVICES.** Many of our clients require their vendors to provide a broad array of service offerings, which many of our competitors cannot provide. Engagements often require creative solutions that must be drawn from diverse areas of expertise. Our experience in a wide range of services enables us to better pursue new business opportunities and positions us to be a leading e-government consulting and implementation force, as well as a single-source provider of program management, consulting services and systems solutions to state and local government agencies. Our broad client base facilitates cross-selling opportunities among our Government Operations, Consulting

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and Systems Groups. Additionally, our acquisitions have provided us with expanded service capabilities and an additional base of established clients.

**MARKET LEADING CONSULTING CAPABILITIES.** We believe we have the largest management consulting practice dedicated to serving state and local governments in the United States. We believe that our Consulting Group provides us with significant competitive advantages including:

- a significant pool of experienced consultants with an established knowledge base and valuable relationships with members of the executive and legislative branches of state and local governments;
- methodologies that can be easily replicated and customized; and
- a more predictable source of revenues due to recurring revenue streams from our renewable contracts.

In addition, we offer a broad suite of services that are increasingly sought by state and local governments seeking a single-source provider of program management and consulting services including cost accounting; human resources consulting; executive recruiting; and planning, evaluation and implementation for large government systems.

**EXPERIENCED TEAM OF PROFESSIONALS.** We have assembled a management team of former government executives, state agency officials, information technology specialists and other professionals, most of whom have more than seven years of experience in the public services industry. Our employees understand the problems and challenges faced in the marketing, assessment and delivery of government agency services. Further, as state and local government administrators are subject to changing legislative and political mandates, we have developed strong relationships with experienced political consultants who inform and advise us with respect to strategic marketing opportunities and legislative initiatives.

#### GROWTH STRATEGY

Our goal is to be the leading provider of program management, consulting services and systems solutions to state and local government agencies. Our strategy to achieve this goal includes the following:

**AGGRESSIVELY PURSUE NEW BUSINESS OPPORTUNITIES.** We believe that, throughout our 25-year history, we have been a leader in developing innovative solutions to meet the evolving needs of state and local health and human services agencies. We plan to expand our revenue base by:

- marketing new and innovative solutions to our extensive client base;
- expanding our client base by marketing our experience, established methodologies and systems;
- investing in the early identification of government bid opportunities, including retaining outside marketing consultants, hiring dedicated in-house personnel and using available RFP tracking databases; and
- submitting competitive bids that leverage our proven solutions from past projects.

**CONTINUE TO DEVELOP COMPLEMENTARY SERVICES.** We intend to continue broadening our range of services in order to respond to the evolving needs of our clients and to provide additional cross-selling opportunities. We intend to continue to internally develop innovative consulting practices, technologies, and methodologies that are required by government entities in order to effectively deliver public services. For example, we have developed a system that interfaces with insurance company databases to intercept payments to claimants who are delinquent on child support obligations. We have also developed a consulting practice focused on the requirements of the Health Insurance Portability and

Accountability Act. This practice provides high level information systems services designed to bring state Medicaid programs into compliance under the Act.

**RECRUIT HIGHLY SKILLED PROFESSIONALS.** We continually strive to recruit top management and information technology professionals with the experience, skills and innovation necessary to design and implement solutions to the complex problems faced by resource-constrained government program agencies. We also seek to attract middle-level consultants with a proven track record in the government services field and a network of political contacts to leverage our existing management infrastructure, client relationships and areas of expertise. We believe we can continue to attract and retain experienced government personnel by leveraging our reputation as a premier government services consultant and our single market focus.

**PURSUE STRATEGIC ACQUISITIONS.** While most of our revenue growth has been internally generated, we intend to continue to selectively identify and pursue attractive acquisition opportunities, including pursuing acquisitions that may be larger than those we have made in the past. Acquisitions can provide us with a rapid, cost-effective method to broaden our services, increase the number of our professional consultants, expand our client base, cross-sell additional services, enhance our technical capabilities, establish or expand our presence geographically and obtain additional skill sets.

#### GOVERNMENT OPERATIONS GROUP

Our Government Operations Group, which generated approximately 55% of our total revenues in our most recent fiscal year, specializes in the administration and management of government health and human services programs.

**HEALTH MANAGEMENT SERVICES DIVISION.** We provide a variety of project management services for Medicaid programs with a particular emphasis on large-scale managed care enrollment projects. In these projects, we provide:

- recipient outreach, education and enrollment services;
- an automated information system customized for the particular state;
- data collection and reporting;
- design and development services for program materials; and
- health plan encounter data analysis and reporting.

We currently provide managed care enrollment contract services to more Medicaid recipients than any other public or private sector entity in the country, operating projects for the states of California, New York, Texas, Michigan, Massachusetts, New Jersey, Colorado and Vermont. We also administer programs for uninsured and underinsured children as part of the Children's Health Insurance Program in various states, including Michigan, Massachusetts, New Jersey, Kansas, and Iowa. We operate the nation's largest system for the resolution of disputes among health plans, subscribers and providers through independent external review. We are the sole national contractor to the Federal Health Care Financing Administration for external appeals in the Medicare Managed Care Program and have rapidly expanded our offerings into state government, currently providing external review services to 15 states.

**CHILD SUPPORT DIVISION.** We operate full-service and specialized-service child support projects on behalf of state and local governments. Projects span a broad range of services, including outreach to participants, intake of cases, establishing paternity, obtaining child support orders, collecting child support, operating customer service call centers, locating services and obtaining court order modifications. We believe that we have one of the largest Child Support Enforcement staffs in the private sector with over 1,000 professionals. We have been performing some of these services since

1976, which we believe is longer than any other private sector firm in the United States. We are currently engaged in the management of Child Support Enforcement programs in ten states, providing full child support services and specialized services for over one million cases. Our Customer Service operations, including four stand-alone call centers, currently handle approximately three million telephone calls from customers per year.

**WORKFORCE SERVICES DIVISION.** We manage welfare-to-work programs by providing a wide range of services, including emergency assistance, job referral and placement, transition services such as child care and transportation, community work training services, job readiness preparation, case management services and selected educational and training services. Our typical welfare-to-work contract involves an engagement period of three to five years. During the 2000 fiscal year, we placed nearly 17,500 welfare recipients into

jobs. On average, we have placed over 80% of the welfare recipients that are referred to us for job placement. Additionally, we have two contracts that represent the significant privatization of government functions under which we both administer the program and make applicant eligibility determinations.

FEDERAL SERVICES DIVISION. We provide a host of large-scale, nationwide management services geared toward emerging market areas including disability services, vocational rehabilitation, youth and elderly services, substance abuse/mental health services and justice administration support services. In 1995, we became the first company to operate a national case management and monitoring program for disability beneficiaries when we contracted with the Social Security Administration to provide services to beneficiaries with drug or alcohol disabilities. In 1999, we were awarded the first Social Security Administration contract to provide employability planning and support services to disabled youth in order to assist them in entering the workforce. In 2000, the Commonwealth of Massachusetts awarded us a contract to enroll senior citizens who receive Medicare and Medicaid benefits in managed care services. Under this first of its kind federal/state partnership between the Health Care Financing Administration and the Commonwealth of Massachusetts, we are responsible for the development of the program protocol and the operation of the pilot program.

#### CONSULTING GROUP

Our Consulting Group, which generated approximately 30% of our total revenues in our most recent fiscal year, provides program planning and quality assurance services to state and local government agencies, in addition to general management consulting services and specialized services such as assisting state and local agencies in maximizing federal funding for their programs.

MANAGEMENT SERVICES DIVISION. Our Management Services Division provides a broad array of consulting services to state and local governments. These services include accounting, activity-based costing, cost of service and user fee studies; executive recruitment; airport expansion financial feasibility studies and retail planning and management; capital asset management; public works, fleet management; and utilities management. Through this division, we provide consulting services to over 3,000 clients each year, many of which have been clients for 20 years or more. We believe that this extensive client base creates opportunities for us to successfully cross-market our services.

REVENUE SERVICES DIVISION. Our Revenue Services Division seeks out additional federal funding and provides benefits program planning and implementation services for state and local government agencies. Our federal funding maximization projects are generally carried out on a contingency fee basis determined as a percentage of funds recovered from the federal government. Our revenue maximization projects have resulted in the recovery of more than \$1.1 billion of federal funds on behalf of 24 states. We have also provided welfare planning and implementation projects and have been engaged by the Commonwealth of Pennsylvania to provide detailed analysis and assistance to ensure that the state child welfare and juvenile justice claims programs comply with applicable federal

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requirements. We also assist several states in facilitating claims for additional services through the Temporary Assistance to Needy Families program.

HUMAN SERVICES TECHNOLOGY DIVISION. Our Human Services Technology Division provides strategic information management, procurement and contracting, systems quality assurance and systems implementation services to the state health and human service agencies. Our experienced team of skilled project managers and information technology professionals has assisted clients in the planning, design, procurement and implementation of information systems in multiple projects across numerous states. We also supervise the work performed by contractors who sell these systems. The potential market for the division's services has continued to expand in recent years. Given our successful track record, core competencies and national market presence, we believe that we are well-positioned to take advantage of the increased nationwide emphasis by state governments on welfare eligibility systems, Medicaid Management Information Systems, child welfare services and child support enforcement services. Additionally, we believe that synergies between our Government Operations Group, Consulting Group and Systems Group uniquely position us to take advantage of new market opportunities in health and human services program areas.

INFRASTRUCTURE TECHNOLOGIES DIVISION. Our Infrastructure Technologies Division provides management consulting services that focus on assisting large public sector organizations in solving complex problems related to automation of financial services. This division has engagements in the legislative, executive and judicial branches. We also have extensive knowledge of the fiscal structure of states through our experience with state auditors, comptrollers and treasurers as well as a significant understanding of state government through close contact with many state agencies. As part of our consulting engagement, we provide a variety of information technology services, including project planning and management; quality assurance monitoring and assessment for child welfare, healthcare and financial management systems; strategic planning; and advanced

technologies.

#### SYSTEMS GROUP

Our newly-created Systems Group, which generated approximately 15% of our total revenues in our most recent fiscal year, contains our technology solutions and proprietary software programs formerly included in our Consulting Group. The group provides state and local agencies with systems design and implementation to improve the efficiency and cost-effectiveness of their program administration.

**ERP SOLUTIONS DIVISION.** The ERP Solutions Division consultants work almost exclusively with government and educational entities to implement PeopleSoft-Registered Trademark- and Microsoft-Registered Trademark- Great Plains Business Solutions Enterprise Resource Planning, or ERP, Software Solutions. Our goal is to deliver cost-efficient technology-based business solutions, including customer information systems/utility billing; financial systems; human resources management systems; procurement systems; and student administration systems. ERP Solutions is a PeopleSoft consulting alliance partner and one of the only certified PeopleSoft Application Systems Providers.

**ASSET SOLUTIONS DIVISION.** The Asset Solutions Division offers a suite of asset management solutions that manage and maintain physical assets, including fleet, fuel, facility, space and fixed assets. Asset Solutions provides web-enabled solutions to over 300 customers including government agencies, public utilities, mass transits, K-12 education systems and universities. All Asset Solutions systems integrate with major ERP solutions and promote accountability and cost management. Recent achievements include new contracts with The City of New York, the City of Chicago and the Southeastern Pennsylvania Transit Authority.

**JUSTICE SOLUTIONS DIVISION.** The Justice Solutions Division implements and supports software programs designed to increase the efficiency of state court systems. Our products include case

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management, docketing, scheduling and report generating software used in all stages of the judicial process. We market and sell a jury management software program that creates jury lists, generates notices and monitors attendance and payments. We also offer a records management software solution to automate record keeping functions and county recorders' offices. We currently support over 5,000 users at over 150 sites in Ohio, Florida, Michigan, Arkansas, Indiana, Massachusetts, California and New York.

The Justice Solutions Division also develops and implements information technology systems solutions for state criminal justice systems. We work with law enforcement agencies, courts and corrections agencies to develop systems that integrate and facilitate access to criminal justice information and records. We are currently responsible for the management of the Connecticut offender-based tracking system that tracks offender location, classification and status information.

**PUBLIC SYSTEMS DIVISION.** The Public Systems Division provides systems development, integration and implementation services to public-sector health and human services agencies. This division develops modern, web-based solutions for government agencies providing public services that enable the use of the Internet to lower the cost of maintaining and supporting large application systems. We are also involved in the development of web portals designed to facilitate access to program information on the Internet. The division is currently offering these services through a series of projects in Utah for Medicaid Managed Care and in Delaware to a variety of agencies providing social services.

**INTELLIGENT TECHNOLOGIES DIVISION.** Our Intelligent Technologies Division provides health, transportation, education, banking and human services clients with expert assistance in developing, planning and implementing smart card technology, biometric recognition systems, and e-government consulting services and related technologies. Responding to pressures to provide services more efficiently, public-sector entities are increasingly moving from paper-based to electronics-based systems. In addition to cost efficiencies, e-government technologies provide more accurate record keeping and offer greater security against fraud and theft. Recognizing the potential efficiencies of smart card technology, the United States General Services Administration awarded a ten-year contract to five companies, including us, to implement this technology in federal government agencies. This division also assists health, education and banking clients in planning, implementing and evaluating electronic funds transfer, electronic benefits transfer and electronic payment systems. These systems allow recipients to transfer benefits from government accounts to product or service vendors.

#### BACKLOG

Backlog represents an estimate of the remaining future revenues from existing signed contracts and revenues from contracts that have been awarded but not yet signed. Our backlog estimate includes revenues expected under the

current terms of executed contracts, revenues from contracts in which the scope and duration of the services required are not definite but estimable and does not assume any contract renewals or extensions.

Changes in the backlog calculation result from additions for future revenues from the execution of new contracts or extension or renewal of existing contracts, reductions from fulfilling contracts, reductions from the early termination of contracts, and adjustments to estimates of previously included contracts.

Estimates of future revenues from awarded or signed contracts are necessarily inexact and the receipt and timing of these revenues are subject to various contingencies, many of which are outside of our control. We believe that period-to-period backlog comparisons are difficult and do not necessarily accurately reflect future revenues we may receive. The actual timing of revenue receipts, if any, on projects included in backlog could change because, among other reasons, the scheduling of a project

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could be postponed, a contract could be modified or canceled, or initial estimates regarding a contract's revenues could prove to be wrong.

<TABLE>  
<CAPTION>

	AS OF SEPTEMBER 30, 2000		
	SIGNED	UNSIGNED	TOTAL
	(IN MILLIONS)		
	<C>	<C>	<C>
Government Operations Group.....	\$268.3	\$18.4	\$286.7
Consulting Group.....	135.2	14.1	149.3
Systems Group.....	31.8	--	31.8
	-----	-----	-----
Total.....	\$435.3	\$32.5	\$467.8
	=====	=====	=====

</TABLE>

#### MARKETING AND SALES

Our Government Operations Group, Consulting Group and Systems Group obtain program management, consulting services and systems solutions contracts for state and local agencies by responding to RFPs. Our Government Affairs unit, consisting of eight employees and approximately 40 marketing consultants located in regional offices, develops and maintains relationships with senior government representatives, elected officials and political appointees, including a state's governor, members of the governor's staff and the heads of state health and human services agencies to encourage them to outsource government services. We also developed and implemented a sophisticated RFP tracking system that provides us with real-time information about the status of existing RFPs and our actions to date with respect to those RFPs.

Our marketing consultants provide introductions to government personnel and provide information to us regarding the status of legislative initiatives and executive decision-making. Following the issuance of an RFP, we participate in formal discussions, if any, between the contracting government agency and the group of potential service providers seeking to modify the RFP and prepare the proposal. Upon the award of a government operations contract, our representatives may help us negotiate the contract with representatives of the government authority until an agreement is reached.

We generate leads for contracts by tracking bid notices, employing marketing consultants, maintaining relationships with government personnel, communicating directly with current and prospective clients and, increasingly, through referrals and cross-selling initiatives from our Consulting Group. We participate in professional associations of government administrators and industry seminars featuring presentations by our executives and employees. Senior executives develop leads through on-site presentations to decision-makers. A portion of our new consulting business has resulted from prior client engagements in which we were the sole service provider. We also intend to leverage client relationships of firms we acquire by cross-selling our existing services.

#### COMPETITION

The market for providing program management and consulting services to state and local health and human services agencies, as well as to public sector clients generally, is competitive and subject to rapid change. Our Government Operations Group competes for program management contracts with the government services divisions of large organizations such as Lockheed Martin Corporation, Electronic Data Systems, Inc. and Accenture; specialized service providers such as Benova, Inc., Policy Studies Incorporated, Affiliated Computer Services, Inc. and America Works, Inc.; and local non-profit organizations such as the United Way, Goodwill Industries and Catholic Charities. Our Consulting

Group competes with the consulting divisions of the "Big 5" accounting firms; and small, specialized consulting firms. Our Systems Group competes with a large number of competitors including Unisys, KPMG, Accenture, Litton PRC (a Northrop Grumman Company), Peregrine Systems, Inc. and Electronic Data Systems, Inc.

We anticipate that we may face increased competition in the future as new companies enter the market, but that our experience, reputation, industry focus and broad range of services provide significant competitive advantages which we expect will enable us to compete effectively in our markets.

EMPLOYEES

As of May 31, 2001, we had 4,737 employees, consisting of 3,383 employees in the Government Operations Group, 708 employees in the Consulting Group, 441 employees in the Systems Group and 205 corporate administrative employees. Our success depends in large part on attracting, retaining and motivating talented, innovative and experienced professionals at all levels. None of our employees is covered by a collective bargaining agreement. We consider our relations with our employees to be good.

PROPERTIES

We own a 60,000 square foot office building in Reston, Virginia and a 21,000 square foot office building in McLean, Virginia. We lease 170 offices totaling approximately 988,000 square feet for other management and administrative functions in connection with the performance of our contracts. The lease terms vary from month-to-month to five-year leases and are generally at market rates.

LEGAL PROCEEDINGS

In January 2000, the New York City Human Resources Administration submitted two contracts that it had awarded to us 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 our conduct. The New York Supreme Court, Appellate Division--First Department ordered the Comptroller to register the contracts in October 2000 after finding no wrongdoing in our conduct. Nevertheless, this matter continues to be the subject of investigations being conducted by certain government 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. These offices reviewed some of our documents and interviewed some of our employees in 2000 and 2001. We believe that our actions were lawful and appropriate and, although there can be no assurance of a favorable outcome, we do not believe that this matter will have a material adverse effect on our financial condition or results of operations.

We are also involved in various other legal proceedings in the ordinary course of our business. In our opinion, these proceedings involve amounts that would not have a material effect on our financial position or results of operations if such proceedings were resolved unfavorably.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

Our executive officers and directors and their respective ages and positions are as follows:

<TABLE>  
<CAPTION>

NAME	AGE	POSITION
David V. Mastran.....	58	President, Chief Executive Officer and Director
Raymond B. Ruddy.....	57	Chairman of the Board of Directors, Vice President of the Company
Russell A. Beliveau.....	53	President of Investor Relations and Director
Richard L. Bradley.....	52	President of Systems Group
Lynn P. Davenport.....	53	President of Consulting Group and Director
David R. Francis.....	39	General Counsel and Secretary
Thomas A. Grissen.....	42	Chief Operating Officer and Director



David A. Hogan.....	52	President of Government Operations Group
F. Arthur Nerret.....	54	Vice President, Finance, Chief Financial Officer and Treasurer
Jesse Brown.....	57	Director
Peter B. Pond.....	56	Director
James R. Thompson, Jr.....	65	Director

</TABLE>

DAVID V. MASTRAN has served as our President, Chief Executive Officer and a director since he founded MAXIMUS in 1975. Dr. Mastran received his Sc.D. in Operations Research from George Washington University in 1973, his M.S. in Industrial Engineering from Stanford University in 1966 and his B.S. from the United States Military Academy at West Point in 1965.

RAYMOND B. RUDDY has served as our Chairman of our Board of Directors from 1985 to the present and was President of the Consulting Group from 1986 to 2000. From 1969 until he joined us, Mr. Ruddy served in various capacities with Touche Ross & Co., including Associate National Director of Consulting from 1982 until 1984 and Director of Management Consulting (Boston, Massachusetts office) from 1978 until 1983. Mr. Ruddy received his M.B.A. from the Wharton School of Business of the University of Pennsylvania and his B.S. in Economics from Holy Cross College.

RUSSELL A. BELIVEAU has served as our President of Investor Relations since September 1998 and served as President of Government Affairs from September 1998 until October 2000. Prior to that, he served as President of the Government Operations Group from 1995 to 1998. Mr. Beliveau has more than 20 years of experience in the health and human services industry during which he has worked in both government and private sector positions at the senior executive level. Mr. Beliveau's past positions include Vice President of Operations at Foundation Health Corporation of Sacramento, California from 1988 through 1994 and Deputy Associate Commissioner (Medicaid) for the Massachusetts Department of Public Welfare from 1983 until 1988. Mr. Beliveau received his M.B.A. in Business Administration and Management Information Systems from Boston College in 1980 and his B.A. in Psychology from Bridgewater State College in 1974.

RICHARD L. BRADLEY has served as President of our newly formed Systems Group since October 2000. Prior to joining us, Mr. Bradley was a Vice President and General Manager for TRW

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(and BDM International prior to its acquisition by TRW) and was responsible for public sector operations. Before that, he served in various management roles at Unisys in the health and human services and other public sector areas. Mr. Bradley has over 25 years of professional information technology experience. Over that time, Mr. Bradley has managed multiple large public and commercial information technology organizations. Mr. Bradley received B.A. degrees in Political Science and Education from Western Washington State University and completed the coursework for the State of Washington Fellowship M.P.A. Program at Western Washington University.

LYNN P. DAVENPORT has served as the President of the MAXIMUS Consulting Group since October 2000. Before that he was President of the Human Services Division since he joined us in 1991. He has over 25 years of health and human services experience in the areas of administration, productivity improvement, management consulting, revenue maximization and management information systems. Prior to joining us, Mr. Davenport was employed by Deloitte & Touche, and its predecessor, Touche Ross & Co., in Boston, Massachusetts, where he became a partner in 1987. Mr. Davenport received his M.P.A. in Public Administration from New York University in 1971 and his B.A. in Political Science and Economics from Hartwick College in 1969.

DAVID R. FRANCIS has served as our General Counsel and Secretary since August 1998. He has over 14 years experience as a practicing attorney. Before joining us, he was Of Counsel at the law firm Howrey & Simon and, prior to that, Senior Counsel at Teledyne, Inc. Mr. Francis received his J.D. from Harvard Law School in 1986 and his B.A. in Philosophy from Johns Hopkins University in 1983.

THOMAS A. GRISSEN has served as our Chief Operating Officer since October 2000. Before that, he served as President of the Government Operations Group since he joined us in March 1999. Prior to that, he served as the General

Manager and Vice President of TRW from January 1998. Mr. Grissen was President of BDM International from April 1997 until joining TRW. Before starting at BDM International, Mr. Grissen was a principal and managing director of Unisys for 16 years. Mr. Grissen received his Executive M.B.A. from Michigan State University and his B.A. in Business from Central Michigan University.

DAVID A. HOGAN has served as the President of the Government Operations Group since October 2000. Before that he was the President of the Child Support Enforcement Division since 1994 and served as a Vice President of the division from 1993 until 1994. Prior to joining us, Mr. Hogan spent 23 years working in numerous positions for the Washington State Department of Social and Health Services, including five years as the State's Child Support Director. Mr. Hogan also served one year as the President of the National Child Support Directors Association. Mr. Hogan received his J.D. from the University of Puget Sound in 1976 and his B.A. from Western Washington University in 1970.

F. ARTHUR NERRET has served as our Chief Financial Officer since 1994 and serves as Trustee of our 401(k) Plan. He is a CPA and has over 25 years of financial management experience. From 1981 until he joined us, Mr. Nerret held a variety of positions at Frank E. Basil, Inc. in Washington, D.C., including Vice President, Finance from 1991 to 1994 and Director of Finance from 1989 until 1991. Mr. Nerret received his B.S. in Accounting from the University of Maryland in 1970.

JESSE BROWN has served as one of our directors since his election in September 1997. Mr. Brown is currently President of Brown & Associates, Inc., an international consulting company, and served as Secretary of Veteran Affairs under the Clinton Administration from 1993 until 1997, and as Executive Director of the Washington office of Disabled American Veterans from 1989 to 1993. Mr. Brown also serves as a director of PEC Solutions, Inc. and of Roy F. Weston, Inc. Mr. Brown is an honors graduate of Chicago City College and also attended Roosevelt University Chicago and Catholic University in Washington, D.C.

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PETER B. POND has served as one of our directors since his election in December 1997. Mr. Pond is a founder of ALTA Equity Partners LLC, a venture capital firm, and has been a General Partner of the firm since June 2000. Prior to that, Mr. Pond was a Principal and Managing Director in the Investment Banking Department at Donaldson, Lufkin & Jenrette Securities Corporation in Chicago and was head of that company's Midwest Investment Banking Group. Mr. Pond holds a B.S. in Economics from Williams College and an M.B.A. in Finance from the University of Chicago. He is also a director of Navigant Consulting, Inc.

JAMES R. THOMPSON, JR. has served as one of our directors since his election in 2001. Governor Thompson currently serves as Chairman of the Chicago office of the law firm of Winston & Strawn since January 1993. He joined the firm in January 1991 as Chairman of the Executive Committee after serving four terms as Governor of the State of Illinois from 1977 until January 1991. Prior to his terms as Governor, he served as U.S. Attorney for the Northern District of Illinois from 1971 to 1975. Governor Thompson has served as the Chief of the Department of Law Enforcement and Public Protection in the Office of the Attorney General of Illinois, as an Associate Professor at Northwestern University School of Law, and as an Assistant State's Attorney of Cook County. He is a former Chairman of the President's Intelligence Oversight Board. Governor Thompson is currently a member of the boards of directors of Jefferson Smurfit Group, Navigant Consulting, Inc., Prime Retail, Inc., The Japan Society (New York), Metal Management, Inc., Prime Group Realty Trust, FMC Corporation, the Chicago Board of Trade and Hollinger International. He serves on the Board of the Museum of Contemporary Art, the Lyric Opera and the Illinois Math and Science Academy Foundation. Governor Thompson attended the University of Illinois and Washington University, and he received his J.D. from Northwestern University in 1959.

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#### SELLING SHAREHOLDERS

The following table sets forth certain information regarding the beneficial ownership of our common stock as of May 31, 2001, and as adjusted to reflect the sale of the shares offered hereby, by each selling shareholder. We believe that each person named below has sole voting and investment power with respect to all shares of common stock shown as beneficially owned by such holder, subject to community property laws where applicable, except as noted in the footnotes relating to such holder. Unless otherwise indicated, the address of each of the selling shareholders is care of MAXIMUS at our principal executive office.

<TABLE>  
<CAPTION>

OWNED AFTER OFFERING (A)	SHARES OWNED PRIOR TO THE OFFERING (A)		SHARES OFFERED (B)	SHARES THE
	NUMBER	PERCENT	NUMBER	NUMBER
PERCENT				
<S>	<C>	<C>	<C>	<C>
<C>				
SELLING SHAREHOLDERS:				
David A. Mastran.....	6,770,013 (c)	31.3%	1,302,351	5,467,662 (c)
24.2%				
Raymond D. Ruddy.....	2,681,787 (d)	12.4	868,234	1,813,553 (d)
8.0				
Lynn P. Davenport.....	217,875 (e)	1.0	108,937	108,938 (i)
*				
Susan D. Pepin.....	178,594 (f)	*	89,297	89,297 (j)
*				
Russell A. Beliveau.....	156,308 (g)	*	78,154	78,154 (g)
*				
Thomas A. Grissen.....	106,055 (h)	*	53,027	53,028 (k)
*				

</TABLE>

\* Percentage is less than 1% of all outstanding shares of our common stock.

(a) Applicable percentage of ownership prior to this offering is based upon 21,605,669 shares of common stock outstanding, which includes 95,362 shares of common stock issuable upon exercise of vested stock options to be exercised prior to this offering by Mr. Davenport, 16,303; Ms. Pepin, 29,537; and Mr. Grissen, 49,522. For ownership after completion of this offering, applicable percentage ownership is based on 22,605,669 shares of common stock outstanding, which includes 95,362 shares of common stock which will have been exercised prior to this offering by Mr. Davenport, 16,303; Ms. Pepin, 29,537; and Mr. Grissen, 49,522, and assumes no exercise of the underwriters' overallotment option. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, and includes shares with respect to which the person has voting and investment power. The number of shares of common stock deemed beneficially owned by any person includes outstanding shares of common stock held by such person and any shares of common stock issuable upon exercise of stock options held by such person exercisable within 60 days following May 31, 2001.

(b) If the overallotment option is exercised in full, Dr. Mastran and Mr. Ruddy will sell an aggregate of 525,000 additional shares of common stock. Dr. Mastran will sell 315,000 additional shares and Mr. Ruddy will sell 210,000 additional shares.

(c) Includes the holdings of (1) Dr. Mastran's spouse, consisting of 62,129 shares and 7,694 shares issuable upon exercise of stock options exercisable within 60 days following May 31, 2001, (2) Dr. Mastran's father, consisting of 1,800 shares, and (3) Mr. Ruddy, consisting of 2,681,787 shares prior to the offering and 1,813,553 shares after the offering, and who is obligated by written agreement to vote such shares in a manner consistent with instructions received from Dr. Mastran until September 30, 2001. Dr. Mastran does not have dispositive power over Mr. Ruddy's shares.

(d) Includes 998,047 shares held by trusts for the benefit of Mr. Ruddy's family members.

(e) Includes (1) 123,991 shares issuable upon exercise of stock options exercisable within 60 days following May 31, 2001 and (2) 1,250 shares held by Mr. Davenport's son.

(f) Includes 118,834 shares issuable upon exercise of stock options exercisable within 60 days following May 31, 2001. Ms. Pepin is the Deputy Consulting

Group President.

- (g) Includes (1) 18,006 shares issuable upon exercise of stock options exercisable within 60 days following May 31, 2001 and (2) the holdings of a trust of which Mr. Beliveau and his spouse are the primary beneficiaries, consisting of 137,146 shares prior to the offering and 59,570 shares after the offering.
- (h) Includes 102,550 shares issuable upon exercise of stock options exercisable within 60 days following May 31, 2001.
- (i) Includes (1) 107,688 shares issuable upon exercise of stock options exercisable within 60 days following May 31, 2001 and (2) 1,250 shares held by Mr. Davenport's son.
- (j) Includes 89,297 shares issuable upon exercise of stock options exercisable within 60 days following May 31, 2001.
- (k) Includes 53,028 shares issuable upon exercise of stock options exercisable within 60 days following May 31, 2001.

Dr. Mastran and Mr. Ruddy have agreed, if any or all of the other selling shareholders decides not to participate in this offering, to sell such number of shares of common stock so that the total number of shares sold by the selling shareholders will equal 2,500,000. Dr. Mastran and Mr. Ruddy have also granted the underwriters an option to purchase up to an additional 525,000 shares to cover overallotments.

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UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bear, Stearns & Co. Inc., Legg Mason Wood Walker, Incorporated, Adams, Harkness & Hill, Inc and BB&T Capital Markets, A division of Scott & Stringfellow, Inc. are acting as representatives of the underwriters named below. Subject to the terms and conditions described in a purchase agreement among us, the selling shareholders and the underwriters, we and the selling shareholders have agreed to sell to the underwriters, and the underwriters severally and not jointly have agreed to purchase from us and the selling shareholders, the number of shares listed opposite their names below.

<TABLE> <S>	<C> NUMBER OF SHARES -----
UNDERWRITER	
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	
Bear, Stearns & Co. Inc.....	
Legg Mason Wood Walker, Incorporated.....	
Adams, Harkness & Hill, Inc.....	
BB&T Capital Markets, A division of Scott & Stringfellow, Inc.....	
	-----
Total.....	3,500,000 =====

</TABLE>

Subject to the terms and conditions in the purchase agreement, the underwriters have agreed to purchase all the shares of our common stock being sold pursuant to the purchase agreement if any of these shares of our common stock are purchased. If an underwriter defaults, the purchase agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreement may be terminated.

We and the selling shareholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or

to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares of our common stock, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the purchase agreement, such as the receipt by the underwriters of officers' certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

#### COMMISSIONS AND DISCOUNTS

The representatives have advised us and the selling shareholders that the underwriters propose initially to offer the shares of our common stock to the public at the public offering price on the cover page of this prospectus and to dealers at that price less a concession not in excess of \$ \_\_\_\_\_ per share. The underwriters may allow, and the dealers may reallow, a discount not in excess of \$ \_\_\_\_\_ per share to other dealers. After the offering, the public offering price, concession and discount may be changed.

The following table shows the public offering price, underwriting discount to be paid by us and the selling shareholders to the underwriters and the proceeds, before expenses, to us and the selling

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shareholders. This information assumes either no exercise or full exercise by the underwriters of their overallotment options.

<TABLE>  
<CAPTION>

	PER SHARE -----	WITHOUT OPTION -----	WITH OPTION -----
<S>	<C>	<C>	<C>
Public offering price.....	\$	\$	\$
Underwriting discount.....	\$	\$	\$
Proceeds, before expenses, to MAXIMUS.....	\$	\$	\$
Proceeds to the selling shareholders.....	\$	\$	\$

The expenses of this offering, not including the underwriting discount, are estimated at \$1,000,000 and are payable by us.

#### OVERALLOTMENT OPTION

Two selling shareholders, David V. Mastran and Raymond B. Ruddy, have granted an option to the underwriters to purchase up to an aggregate of 525,000 additional shares of our common stock at the public offering price less the underwriting discount. The underwriters may exercise this option for 30 days from the date of this prospectus solely to cover any overallotments. If the underwriters exercise this option, each underwriter will be obligated, subject to conditions contained in the purchase agreement, to purchase a number of additional shares of our common stock proportionate to that underwriter's initial amount reflected in the above table.

#### NO SALES OF SIMILAR SECURITIES

We, the selling shareholders and our executive officers and directors have agreed, subject to some limited exceptions, not to sell or transfer any shares of our common stock for 90 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch. Specifically, we, the selling shareholders and these other individuals have agreed not to directly or indirectly:

- offer, pledge, sell or contract to sell any shares of our common stock;
- sell any option or contract to purchase any shares of our common stock;
- purchase any option or contract to sell any shares of our common stock;
- grant any option, right or warrant for the sale of any shares of our common stock;
- lend or otherwise dispose of or transfer any shares of our common stock;  
or
- enter into any swap or other agreement that transfers, in whole or in

part, the economic consequences of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to shares of our common stock and to securities convertible into, or exchangeable or exercisable for, or repayable with, shares of our common stock. It also applies to shares of our common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

#### ELECTRONIC DISTRIBUTION

Merrill Lynch will be facilitating Internet distribution for this offering to certain of its Internet subscription customers. Merrill Lynch intends to allocate a limited number of shares for sale to its online brokerage customers. An electronic prospectus is available on the Internet website maintained by Merrill Lynch. Other than the prospectus in electronic format, the information on the Merrill Lynch website is not a part of this prospectus.

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#### LISTING ON THE NEW YORK STOCK EXCHANGE

The shares of our common stock are listed on the New York Stock Exchange under the symbol "MMS."

#### PRICE STABILIZATION, SHORT POSITIONS AND PENALTY BIDS

Until the distribution of the shares of our common stock is completed, rules of the Securities and Exchange Commission may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may make short sales of our common stock. Short sales involve the sale by the underwriters at the time of the offering of a greater number of shares than they are required to purchase in the offering. Covered short sales are sales made in an amount not greater than the overallotment option. The underwriters may close out any covered short position by either exercising their overallotment option or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the public offering price at which they may purchase the shares through the overallotment option.

Naked short sales are sales in excess of the overallotment option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the purchases by the underwriters to cover syndicate short positions may have the effect of raising or maintaining the market price of the common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of our common stock may be higher than it would otherwise be in the absence of these transactions.

The representatives may also impose a penalty bid on underwriters and selling group members. This means that if the representatives purchase shares of our common stock in the open market to reduce an underwriter's short position or to stabilize the purchase of such shares, they may reclaim the amount of the selling commission from the underwriters and selling group members who sold those shares. The imposition of a penalty bid may also affect the price of the shares of our common stock in that it discourages resales of those shares.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

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#### LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed upon for us by Palmer & Dodge LLP, Boston, Massachusetts. Certain legal matters in connection with this offering will be passed upon for the underwriters by Sidley Austin Brown & Wood LLP, New York, New York. Mr. Kerry Tomasevich, a partner of Palmer & Dodge LLP, is an Assistant Secretary of MAXIMUS.

EXPERTS

Our consolidated financial statements at September 30, 2000 and 1999 and for each of the three years in the period ended September 30, 2000 appearing in this prospectus and the registration statement on Form S-3 have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon appearing elsewhere herein. The financial statements referred to above are included in reliance on such reports given upon the authority of such firm as experts in accounting and auditing.

AVAILABLE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, and, in accordance therewith, file periodic reports, proxy statements and other information with the Securities and Exchange Commission. Reports, proxy and information statements filed pursuant to Sections 14(a) and 14(c) of the Exchange Act and other information filed with the Commission can be inspected and copied at the Commission's Public Reference Room at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549. Information regarding the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. In addition, we are required to file electronic versions of such material with the Commission through the Commission's Electronic Data Gathering, Analysis and Retrieval (EDGAR) system. The Commission maintains a website at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. Copies of certain information we file with the Commission are also available on our website at <http://www.maximus.com>. The contents of our website are not part of this prospectus. Our common stock is listed on the New York Stock Exchange. You can inspect reports and other information concerning us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed with the Commission (File No. 1-12997), pursuant to the Exchange Act, are incorporated herein by reference:

- (a) Our Annual Report on Form 10-K for the fiscal year ended September 30, 2000, filed with the Commission on December 27, 2000.
- (b) Our Quarterly Report on Form 10-Q for the quarter ended December 31, 2000, filed with the Commission on February 14, 2001.
- (c) Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2001, filed with the Commission on May 15, 2001.
- (d) Our Current Report on Form 8-K, filed with the Commission on February 7, 2001.
- (e) The description of our common stock contained in our registration statement on Form 8-A, filed on May 15, 1997, including any amendment or reports filed for the purpose of updating that description.

All documents we file pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this prospectus and prior to the termination of this offering shall be deemed

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incorporated by reference into this prospectus and to be a part hereof from the date we file those documents. Any statement contained in any document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this prospectus, to the extent that a statement contained in this prospectus (or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein) modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

We will provide, without charge, to each person to whom a copy of this prospectus is delivered, upon written or oral request of any such person, a copy of any or all of the documents which are incorporated into this prospectus by reference, except for certain exhibits to such documents. Requests should be directed to F. Arthur Nerret, Vice President, Finance and Chief Financial Officer, 11419 Sunset Hills Road, Reston, Virginia 20190, telephone (703) 251-8500.

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REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

To the Board of Directors  
MAXIMUS, Inc.

We have audited the accompanying consolidated balance sheets of MAXIMUS, Inc. as of September 30, 1999 and 2000, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MAXIMUS, Inc. at September 30, 1999 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

McLean, Virginia  
November 16, 2000, except for  
Note 13 as to which the  
date is May 15, 2001

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MAXIMUS, INC.

CONSOLIDATED BALANCE SHEETS

(DOLLARS IN THOUSANDS)

<TABLE>  
<CAPTION>

	SEPTEMBER 30,		MARCH 31,
	1999	2000	2001
			(UNAUDITED)
<S>	<C>	<C>	<C>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents.....	\$ 61,647	\$ 36,975	\$ 46,994
Marketable securities.....	37,235	1,359	1,350
Accounts receivable, net.....	75,865	102,500	94,371
Costs and estimated earnings in excess of billings (Note 5).....	16,150	27,264	37,057
Prepaid expenses and other current assets.....	2,711	6,344	6,505
Deferred income taxes.....	2,997	--	--
Total current assets.....	196,605	174,442	186,277
Property and equipment at cost:			
Land.....	2,643	2,462	2,462
Buildings and improvements.....	7,921	9,484	10,608
Office furniture and equipment.....	10,429	14,264	15,352



Leasehold improvements.....	253	848	897
	-----	-----	-----
	21,246	27,058	29,319
Less: Accumulated depreciation and amortization.....	(6,524)	(8,754)	(10,020)
	-----	-----	-----
Total property and equipment, net.....	14,722	18,304	19,299
Software development costs.....	--	7,883	11,629
Less: Accumulated amortization.....	--	(703)	(963)
	-----	-----	-----
Total software development costs, net.....	--	7,180	10,666
Deferred income taxes (Note 9).....	363	1,402	1,384
Intangible assets, net.....	8,254	52,586	49,815
Other assets.....	3,092	2,989	2,833
	-----	-----	-----
Total assets.....	\$223,036	\$256,903	\$270,274
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable.....	\$ 10,265	\$ 12,565	\$ 11,976
Accrued compensation and benefits.....	16,119	17,747	16,152
Billings in excess of costs and estimated earnings (Note 5).....	16,942	15,648	10,710
Notes payable.....	--	209	284
Income taxes payable.....	2,266	--	--
Other current liabilities.....	541	461	432
	-----	-----	-----
Total current liabilities.....	46,133	46,630	39,554
Long-term debt.....	578	555	71
Other liabilities.....	846	785	582
	-----	-----	-----
Total liabilities.....	47,557	47,970	40,207
Commitments and contingencies (Notes 7 and 11)			
Shareholders' equity (Note 10):			
Common stock, no par value; 60,000,000 shares authorized; 20,986,322, 21,125,844 and 21,233,805 shares issued and outstanding at September 30, 1999 and 2000 and March 31, 2001, at stated amount, respectively.....	130,518	133,082	135,680
Accumulated other comprehensive income (loss).....	(280)	(26)	(13)
Retained earnings.....	45,241	75,877	94,400
	-----	-----	-----
Total shareholders' equity.....	175,479	208,933	230,067
	-----	-----	-----
Total liabilities and shareholders' equity.....	\$223,036	\$256,903	\$270,274
	=====	=====	=====

</TABLE>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

F-3  
MAXIMUS, INC.

CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>  
<CAPTION>

	YEAR ENDED SEPTEMBER 30,			SIX MONTHS ENDED MARCH 31,	
	1998	1999	2000	2000	2001
	-----	-----	-----	-----	-----
	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
<S>	<C>	<C>	<C>	<C>	<C>
Revenues.....	\$244,114	\$319,540	\$399,164	\$183,184	\$233,521
Cost of revenues.....	181,403	224,912	272,620	126,334	159,300
	-----	-----	-----	-----	-----
Gross profit.....	62,711	94,628	126,544	56,850	74,221
Selling, general and administrative expenses.....	34,909	50,626	67,947	30,707	40,260
Merger, deferred compensation and ESOP expense.....	3,671	480	225	--	--
Amortization of goodwill and other acquisition-related intangibles.....	--	260	3,212	645	2,751
Legal settlement expense.....	--	--	3,650	--	--
	-----	-----	-----	-----	-----
Income from operations.....	24,131	43,262	51,510	25,498	31,210
Interest and other income.....	1,823	3,604	3,045	2,149	454
	-----	-----	-----	-----	-----
Income before income taxes.....	25,954	46,866	54,555	27,647	31,664
Provision for income taxes.....	10,440	19,240	24,087	11,421	13,141
	-----	-----	-----	-----	-----
Net income.....	\$ 15,514	\$ 27,626	\$ 30,468	\$ 16,226	\$ 18,523
	=====	=====	=====	=====	=====

Earnings per share:					
Basic.....	\$ 0.86	\$ 1.35	\$ 1.45	\$ 0.77	\$ 0.87
	=====	=====	=====	=====	=====
Diluted.....	\$ 0.85	\$ 1.32	\$ 1.42	\$ 0.76	\$ 0.85
	=====	=====	=====	=====	=====
Weighted average shares outstanding:					
Basic.....	17,937	20,537	21,055	21,019	21,179
	=====	=====	=====	=====	=====
Diluted.....	18,296	20,891	21,424	21,427	21,804
	=====	=====	=====	=====	=====

</TABLE>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

F-4  
MAXIMUS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(DOLLARS IN THOUSANDS)

<TABLE>  
<CAPTION>

	COMMON STOCK	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS
	-----	-----	-----
<S>	<C>	<C>	<C>
Balance at September 30, 1997.....	\$ 66,783	\$ --	\$ 2,258
Purchase of common stock from employee.....	(454)	--	--
Net income.....	--	--	15,514
Tax benefit due to option exercise.....	--	--	173
Adjustment for DMG results previously reported.....	--	--	156
Increase resulting from immaterial poolings.....	137	--	3,843
Issuance of common stock to employees.....	144	--	--
Issuance of common stock in exchange for debt.....	150	--	--
Reclassification of CSI accumulated earnings.....	1,863	--	(1,863)
S corporation distributions.....	--	--	(1,917)
	-----	-----	-----
Balance at September 30, 1998.....	68,623	--	18,164
Issuance of common stock to employees.....	871	--	--
Net income.....	--	--	27,626
Tax benefit due to option exercise.....	--	--	321
Adjustment for CSI results previously reported.....	--	--	(114)
Net proceeds from sale of common stock in follow-on offering.....	61,024	--	--
Unrealized losses on marketable securities.....	--	(280)	--
S corporation distributions.....	--	--	(756)
	-----	-----	-----
Balance at September 30, 1999.....	130,518	(280)	45,241
Issuance of common stock to employees.....	2,264	--	--
Net income.....	--	--	30,468
Tax benefit due to option exercise.....	--	--	168
Issuance of common stock in acquisition.....	300	--	--
Unrealized losses on marketable securities, net of reclassification adjustment for losses included in net income (Note 2).....	--	254	--
	-----	-----	-----
Balance at September 30, 2000.....	133,082	(26)	75,877
Issuance of common stock to employees (unaudited).....	2,598	--	--
Net income (unaudited).....	--	--	18,523
Unrealized gains on marketable securities (unaudited)....	--	13	--
	-----	-----	-----
Balance at March 31, 2001 (unaudited).....	\$135,680	\$ (13)	\$94,400
	=====	=====	=====

</TABLE>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

F-5  
MAXIMUS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)

<TABLE>  
<CAPTION>

	YEAR ENDED SEPTEMBER 30,			SIX MONTHS ENDED MARCH 31,	
	-----	-----	-----	-----	-----
	1998	1999	2000	2000	2001
	-----	-----	-----	-----	-----
---					

	(UNAUDITED)				
(UNAUDITED)					
<S>	<C>	<C>	<C>	<C>	<C>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Net income.....	\$ 15,514	\$ 27,626	\$ 30,468	\$ 16,226	\$18,523
Adjustments to reconcile net income to net cash (used in) provided by operating activities:					
Depreciation.....	1,078	1,567	2,379	1,362	1,266
Amortization.....	1,401	1,117	3,914	645	3,011
Deferred income taxes.....	(2,475)	(2,807)	1,917	18	(177)
Other.....	173	131	168	--	--
Changes in assets and liabilities:					
Accounts receivable, net.....	(22,922)	(2,065)	(17,063)	(6,884)	8,129
Costs and estimated earnings in excess of billings...	(326)	(5,504)	(9,115)	(2,520)	(9,792)
Prepaid expenses and other current assets.....	373	(460)	(1,141)	318	(83)
Other assets.....	(43)	1,062	192	853	(441)
Accounts payable.....	4,845	(535)	1,466	(2,713)	(589)
Accrued compensation and benefits.....	338	528	(445)	(3,338)	(1,595)
Billings in excess of costs and estimated earnings...	(1,309)	5,201	(3,599)	(5,084)	(4,939)
Income taxes payable.....	(3,877)	2,073	(4,413)	(2,941)	--
Other liabilities.....	--	--	68	139	(28)
	-----	-----	-----	-----	-----
Net cash (used in) provided by operating activities.....	(7,230)	27,934	4,796	(3,919)	13,285
	-----	-----	-----	-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Purchase of real estate.....	--	(8,000)	--	--	--
Acquisition of businesses, net of cash acquired.....	--	(11,243)	(53,322)	(21,514)	--
Purchase price adjustments, net.....	--	--	--	--	20
Purchase of contracts.....	(2,436)	--	--	--	--
Increase in cash resulting from immaterial poolings....	1,002	--	--	--	--
Purchase of property and equipment.....	(1,160)	(2,589)	(5,004)	(1,564)	(2,261)
Proceeds from collections on notes receivable.....	--	--	--	81	714
Capitalization of software development costs.....	--	--	(2,772)	(387)	(3,746)
Sale (purchase) of marketable securities.....	27,822	(23,229)	36,134	10,710	21
	-----	-----	-----	-----	-----
Net cash provided by (used in) investing activities.....	25,228	(45,061)	(24,964)	(12,674)	(5,252)
	-----	-----	-----	-----	-----
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Proceeds from stock offering, net of expenses.....	--	61,024	--	--	--
S corporation distributions.....	(7,665)	(756)	--	--	--
Common stock issued.....	144	871	2,264	1,495	2,598
Payments on borrowings.....	(2,547)	(1,799)	(6,768)	(38)	(612)
	-----	-----	-----	-----	-----
Net cash (used in) provided by financing activities.....	(10,068)	59,340	(4,504)	1,457	1,986
	-----	-----	-----	-----	-----
Cash flow adjustment for change in accounting period of DMG and CSI.....	467	31	--	--	--
	-----	-----	-----	-----	-----
Net increase (decrease) in cash and cash equivalents....	8,397	42,244	(24,672)	(15,136)	10,019
Cash and cash equivalents, beginning of period.....	11,006	19,403	61,647	61,647	36,975
	-----	-----	-----	-----	-----
Cash and cash equivalents, end of period.....	\$ 19,403	\$ 61,647	\$ 36,975	\$ 46,511	\$46,994
	=====	=====	=====	=====	=====

</TABLE>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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MAXIMUS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

1. DESCRIPTION OF BUSINESS

MAXIMUS, Inc. (the "Company") provides program management, consulting services and systems solutions primarily to state and local government agencies throughout the United States. The Company conducts its operations through three groups: the Government Operations Group, Consulting Group and Systems Group. The Government Operations Group administers and manages state and local government programs on a fully out-sourced basis. Examples of these programs include welfare-to-work and job readiness, child support enforcement, child care, managed care enrollment and disability services. The Consulting Group provides program planning and quality assurance services to state and local government agencies in addition to general management consulting services and specialized

services such as assisting state and local agencies in maximizing federal funding for their programs. The Systems Group provides state and local agencies with systems design and implementation to improve the efficiency and cost-effectiveness of their program administration. The Systems Group also offers a suite of proprietary software products in addition to customized versions of applications such as PeopleSoft.

The Company operates predominantly in the United States. Revenues from foreign-based projects were less than 10% of total revenues for the years ended September 30, 1998, 1999 and 2000.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a description of the Company's more significant accounting policies.

### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of wholly-owned subsidiaries. All material intercompany items have been eliminated in consolidation.

### RECLASSIFICATIONS

Certain reclassifications have been made to prior period amounts to conform to current year presentation.

### USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes, in particular, estimates used in the earnings recognition process. Actual results could differ from those estimates.

### UNAUDITED INTERIM FINANCIAL INFORMATION

The financial statements as of March 31, 2001 and for the six months ended March 31, 2000 and 2001 are unaudited and have been prepared on the same basis as the audited financial statements included herein. In the opinion of management, the unaudited financial statements include all adjustments, consisting only of normally recurring accruals, necessary to present fairly the periods indicated. Results of operations for the interim period ended March 31, 2001 are not necessarily indicative of the results for the full fiscal year.

F-7  
MAXIMUS, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### CASH EQUIVALENTS

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

### REVENUE RECOGNITION

The Company generates revenue under various arrangements, including contracts under which revenues are based on a fixed price, costs incurred plus a negotiated fee ("cost-plus"), performance-based criteria and time and materials reimbursement. Revenues for cost-plus contracts, including a pro rata amount of the negotiated fee, are recorded as costs are incurred. Revenues from fixed price, performance-based and time and materials reimbursement contracts, including a portion of estimated profit, are recognized as costs are incurred. The timing of billing to clients varies based on individual contracts and often differs from the period of revenue recognition. These differences are included in costs and estimated earnings in excess of billings and billings in excess of costs and estimated earnings.

Management reviews the costs incurred, the revenues recognized and billings from government contracts quarterly and adjusts recognized revenues to reflect current expectations on realization of costs and estimated earnings in excess of billings. Provisions for estimated losses on incomplete contracts are provided in full in the period in which such losses become known. The Company has various fixed price and performance-based contracts that may generate profit in excess of the Company's expectations. The Company recognizes additional revenue and profit in these situations after management concludes that substantially all of the contractual risks have been eliminated, which generally is at task or contract completion.

The Company also licenses software under non-cancelable license agreements. License fee revenues are recognized when a non-cancelable license agreement is

in force, the product has been shipped, the license fee is fixed or determinable, and collection is probable. If the fee is not fixed or determinable, revenue is recognized as payments become due from the customer. In addition, when software license contracts contain post-contract customer support as part of a multiple element arrangement, revenue is recognized based upon the vendor-specific objective evidence of the fair value of each element. Maintenance and support revenues are recognized ratably over the term of the related agreements, which in most cases is one year. Revenues from software related consulting services under time and material contracts and for training are recognized as services are performed. Revenues from other software related contract services are generally recognized under the percentage-of-completion method.

#### MARKETABLE SECURITIES

Marketable securities are classified as available-for-sale and are recorded at fair market value with unrealized gains and losses, net of taxes, and reported as a separate component of shareholders' equity. Realized gains and losses and declines in market value judged to be other than temporary are included in investment income. Interest and dividends are also included in investment income. For the year ended September 30, 1999, unrealized losses on marketable securities were \$280. For the year ended September 30, 2000, unrealized losses on marketable securities were \$8 and reclassification adjustments for losses included in net income were \$262. For the six months ended March 31, 2001, unrealized

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MAXIMUS, INC.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

gains on marketable securities were \$13. There were no material unrealized gains or losses on marketable securities at September 30, 1998. Marketable securities consist primarily of short-term municipal and commercial bonds.

#### PROPERTY AND EQUIPMENT

Property and equipment is stated at cost and depreciated using both the straight-line and accelerated methods based on estimated useful lives not to exceed 39.5 years for the Company's buildings and between three and ten years for office furniture and equipment. Leasehold improvements are amortized over the lesser of their useful life or the remaining term of the lease.

#### INTANGIBLE ASSETS

The excess of the cost over the fair value of net assets of purchased businesses is recorded as intangible assets and is amortized using the straight-line method over periods ranging from two to fifteen years. The carrying values of intangible assets, as well as other long-lived assets, are reviewed for impairment if changes in the facts and circumstances indicate potential impairment of their carrying value. The principle factor used by the Company in identifying potential impairment is profitability of the acquired business. Any impairment would be recognized when the expected future operating cash flows from such intangible assets is less than their carrying value.

#### INCOME TAXES

Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted rates expected to be in effect during the year in which the differences reverse.

The Company merged with two companies during 1998 and one company during 1999 that had elected to be treated as S corporations. The mergers resulted in the termination of the S corporation status for those companies and a deferred tax charge against income of \$325 in 1998 and \$1,109 in 1999 for cumulative differences between the financial statement and tax basis of assets and liabilities.

#### FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company considers the recorded value of its financial assets and liabilities, which consist primarily of cash and cash equivalents, marketable securities, accounts receivable and accounts payable, to approximate the fair value of the respective assets and liabilities at September 30, 1999 and 2000.

#### 3. BUSINESS COMBINATIONS

On March 16, 1998, the Company issued 840,000 shares of its common stock in exchange for all of the common stock of Spectrum Consulting Group, Inc. and an affiliated company ("Spectrum"). This merger was accounted for as an immaterial pooling of interests and accordingly, the Company's financial statements,

including earnings per share, were not restated for periods prior to January 1, 1998.

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MAXIMUS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

3. BUSINESS COMBINATIONS (CONTINUED)

On May 12, 1998, the Company issued 1,166,179 shares of its common stock in exchange for all of the outstanding common stock of David M. Griffith, Ltd. ("DMG"). This merger was accounted for as a pooling of interests and accordingly, the Company's financial statements, including earnings per share include the results of operations of DMG from October 1, 1997.

On August 31, 1998, the Company issued 1,137,420 shares of its common stock in exchange for all of the outstanding common stock of Carrera Consulting Group ("Carrera"). This merger was accounted for as an immaterial pooling of interests and accordingly, the Company's financial statements, including earnings per share, were not restated for periods prior to July 1, 1998.

On August 31, 1998, the Company issued 254,545 shares of its common stock in exchange for all of the outstanding common stock of Phoenix Planning & Evaluation, Ltd. ("Phoenix"). This merger was accounted for as an immaterial pooling of interests and accordingly, the Company's financial statements, including earnings per share, were not restated for periods prior to July 1, 1998.

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. ("Control Software"). This merger was accounted for as a pooling of interests and accordingly, the Company's financial statements, including earnings per share, include the results of operations of Control Software from October 1, 1997. Control Software's operations for the year ended December 31, 1998 were combined with the Company's operations for the fiscal year ended September 30, 1998. This resulted in inclusion of Control Software's operating results for the three months ended December 31, 1998 in the Company's operating results for both fiscal 1998 and 1999. Control Software's revenues and net income for the three months ended December 31, 1998 were \$2,170 and \$114, respectively.

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 \$1,930.

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 \$5,494.

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. Pursuant to the Purchase Agreement, the purchase price was subject to an upward adjustment for each month for which CHDR secured the renewal or extension of a certain contract, up to a maximum of an additional \$1,200. In August 2000, and again in February 2001, the contract was extended by six months, and an additional \$200 was paid for each extension, increasing the intangible assets by \$400. In conjunction with the purchase, the Company recorded intangible assets of \$1,228.

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 \$4,540.

On March 20, 2000, the Company acquired all of the outstanding shares of capital stock of Crawford Consulting, Inc. for \$16,750. In conjunction with the purchase, the Company recorded intangible assets of \$11,887.

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MAXIMUS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

3. BUSINESS COMBINATIONS (CONTINUED)

On March 31, 2000, the Company acquired substantially all of the government services division of 3-G International, Inc. for \$7,000, plus an earn-out amount of \$1,126 paid by the Company in May 2001 as a result of the achievement of certain objectives. In conjunction with the purchase, the Company recorded intangible assets of \$7,054, excluding the May 2001 earn-out payment.

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

of \$8,674.

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 \$3,585.

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

On July 19, 2000, the Company acquired all of the outstanding membership interests of Strategic Partners International, LLC for \$1,800. In conjunction with the purchase, the Company recorded intangible assets of \$1,609.

Intangible assets are amortized using the straight-line method over periods ranging from two to fifteen years. The accumulated amortization related to intangible assets at September 30, 1999 and 2000 and March 31, 2001 was \$260, \$3,472 and \$6,223, respectively.

Unaudited pro forma results of operations information for the Company as if the companies acquired by the purchase method were acquired at the beginning of the periods being reported are as follows:

<TABLE>  
<CAPTION>

	YEAR ENDED SEPTEMBER 30,	
	1999	2000
<S>	<C>	<C>
Revenue.....	\$377,251	\$422,676
Net income.....	\$ 26,672	\$ 29,291
Earnings per share (diluted).....	\$ 1.28	\$ 1.37

All of the companies acquired in the business combinations described above are involved primarily in providing software and/or consulting services for state and local governments. The merged companies accounted for as immaterial poolings contributed \$16,854 to the Company's revenues for the year ended September 30, 1998.

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MAXIMUS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

4. EARNINGS PER SHARE

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

<TABLE>  
<CAPTION>

	YEAR ENDED SEPTEMBER 30,			SIX MONTHS ENDED MARCH 31,	
	1998	1999	2000	2000	2001
<S>	<C>	<C>	<C>	<C>	<C>
Numerator:					
Net income.....	\$15,514	\$27,626	\$30,468	\$16,226	\$18,523
Denominator:					
Weighted average shares outstanding.....	17,937	20,537	21,055	21,019	21,179
Effect of dilutive securities:					
Employee stock options.....	359	354	369	408	625
Denominator for diluted earnings per share.....	18,296	20,891	21,424	21,427	21,804

</TABLE>

5. COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

Uncompleted contracts consist of the following components:

<TABLE>  
<CAPTION>

	COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS	BILLINGS IN EXCESS OF COSTS AND ESTIMATED EARNINGS
<S>	<C>	<C>
September 30, 1999:		

Costs and estimated earnings.....	\$255,572	\$326,729
Billings.....	239,422	343,671
	-----	-----
Total.....	\$ 16,150	\$ 16,942
	=====	=====
September 30, 2000:		
Costs and estimated earnings.....	\$518,291	\$471,044
Billings.....	491,027	486,692
	-----	-----
Total.....	\$ 27,264	\$ 15,648
	=====	=====

</TABLE>

Costs and estimated earnings in excess of billings relate primarily to performance-based contracts that provide for billings based on attainment of results specified in the contract and differences between actual and provisional billing rates on cost-based contracts.

#### 6. CREDIT FACILITIES

The Company had a \$10 million revolving line of credit with a bank. The Company had never borrowed under the line and management allowed the line to expire on March 31, 1999.

Certain companies that were acquired by the Company during 1998, 1999, and 2000 had various arrangements for short and long-term borrowings. These credit arrangements generally were repaid following the related acquisitions and do not significantly affect the Company's financial statements.

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MAXIMUS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

#### 7. LEASES

The Company leases office space under various operating leases, the majority of which contain clauses permitting cancellation upon certain conditions. The terms of these leases provide for certain minimum payments as well as increases in lease payments based upon the operating cost of the facility and the consumer price index. Rent expense for the years ended September 30, 1998, 1999, and 2000 was \$7,074, \$11,084, and \$15,208 respectively.

Minimum future payments under these leases are as follows:

<TABLE>	
<S>	<C>
Year ended September 30,	
2001.....	\$12,497
2002.....	8,946
2003.....	5,325
2004.....	2,953
2005.....	717
Thereafter.....	--
	-----
	\$30,438
	=====

</TABLE>

#### 8. EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION

The Company has 401(k) plans and other defined contribution plans for the benefit of all employees who meet certain eligibility requirements. The plans provide for Company match, specified Company contributions, and/or discretionary Company contributions. During the years ended September 30, 1998, 1999 and 2000, the Company contributed \$1,387, \$2,923 and \$3,287 to the plans, respectively.

Prior to its merger with the Company, DMG had an employee stock ownership plan covering substantially all of its employees. During 1998, the amount charged to operations for the plan was \$394.

Prior to its merger with the Company, DMG had deferred compensation arrangements with certain officers and employees and had granted stock appreciation rights to certain current and retired officers and employees. The stock appreciation rights provided for full vesting and current settlement at the time of the merger. During 1998, the amount charged to operations under these arrangements was \$972, including a one-time income statement charge of \$942 as a result of the merger.

#### 9. INCOME TAXES



The Company's provision for income taxes is as follows:

<TABLE>  
<CAPTION>

	YEAR ENDED SEPTEMBER 30,		
	1998	1999	2000
<S>	<C>	<C>	<C>
Current provision:			
Federal.....	\$10,676	\$18,740	\$17,278
State.....	1,894	3,307	4,174
Deferred tax (benefit) expense.....	(2,130)	(2,807)	2,635
	\$10,440	\$19,240	\$24,087
	=====	=====	=====

</TABLE>

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MAXIMUS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

9. INCOME TAXES (CONTINUED)

The provision for income taxes resulted in effective tax rates that varied from the federal statutory income tax rate as follows:

<TABLE>  
<CAPTION>

	YEAR ENDED SEPTEMBER 30,		
	1998	1999	2000
<S>	<C>	<C>	<C>
Expected federal income tax provision.....	\$ 9,074	\$16,043	\$19,094
Effect of income taxed directly to S corporation shareholders.....	(658)	(480)	--
State income taxes.....	1,245	2,343	3,047
Effect of nondeductible legal settlement expense.....	--	--	1,278
Effect of termination of S corporation status.....	325	1,109	--
Effect of nondeductible merger costs.....	531	82	79
Other.....	(77)	143	589
	\$10,440	\$19,240	\$24,087
	=====	=====	=====

</TABLE>

The significant items comprising the Company's deferred tax assets and liabilities as of September 30, 1999 and 2000 are as follows:

<TABLE>  
<CAPTION>

	AS OF SEPTEMBER 30,	
	1999	2000
<S>	<C>	<C>
Deferred tax assets-current:		
Liabilities for costs deductible in future periods.....	\$ 1,779	\$2,870
Billings in excess of costs and estimated earnings.....	5,844	5,273
Total deferred tax assets-current.....	7,623	8,143
Deferred tax liabilities-current:		
Cash versus accrual accounting.....	1,247	869
Costs and estimated earnings in excess of billings.....	3,076	6,813
Other.....	303	461
Total deferred tax liabilities-current.....	4,626	8,143
Net deferred tax asset-current.....	\$ 2,997	\$ --
	=====	=====
Deferred tax assets (liabilities)-non-current:		
Stock option compensation.....	\$ 1,905	\$1,958
Cash versus accrual accounting.....	(1,733)	(436)
Other.....	191	(120)
Net deferred tax asset-non-current.....	\$ 363	\$1,402
	=====	=====

</TABLE>

Cash paid for income taxes during the years ended September 30, 1998, 1999 and 2000 was \$16,507, \$20,002 and \$23,748 respectively.

## 10. SHAREHOLDERS' EQUITY

### FOLLOW-ON PUBLIC OFFERING

The Company completed a second public offering (the "follow-on offering") of common stock during December 1998. Of the 4,200,000 shares of common stock sold in the follow-on offering,

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MAXIMUS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

#### 10. SHAREHOLDERS' EQUITY (CONTINUED)

2,200,000 shares were sold by selling shareholders and 2,000,000 shares were sold by the Company, generating \$61,024 in proceeds to the Company, net of offering expenses.

#### S CORPORATION DISTRIBUTIONS

Consistent with their past practices, Spectrum, Phoenix, and Control Software paid S corporation distributions totaling \$1,917 during 1998, and Control Software paid S corporation distributions totaling \$756 during 1999, based upon pre-merger taxable income.

#### EMPLOYEE STOCK PURCHASE PLAN

During fiscal 1998, the Company implemented a plan that permits employees to purchase shares of the Company's common stock each quarter at 85% of the market value on the last day of the quarter. The initial sale of shares under the plan occurred during fiscal 1998. During fiscal 1999 and 2000, respectively, the Company issued approximately 13,100 and 66,900 shares of common stock pursuant to this plan at an average price of \$26.52 and \$24.53 per share.

#### STOCK OPTION PLANS

The Company's Board of Directors established stock option plans during 1997 pursuant to which the Company may grant incentive and non-qualified stock options to officers, employees and directors of the Company. Such plans also provide for stock awards and direct purchases of the Company's common stock.

The vesting period and share price for awards are determined by the Company's Board of Directors at the date of grant. Options generally vest over periods from two to four years. As of September 30, 2000, the Company's Board of Directors had reserved 4.6 million shares of common stock for issuance under the Company's stock option plans. At September 30, 2000, 1.3 million shares remained available for grants under the Company's option plans.

Under Statement of Financial Accounting Standard (SFAS) No. 123, ACCOUNTING AND DISCLOSURE FOR STOCK-BASED COMPENSATION, companies may account for stock options under Accounting Principles Board Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES (APB 25) and related Interpretations and provide pro forma disclosure of net income, as if the fair value-based method of accounting defined in SFAS 123 had been applied. The Company has elected to follow APB 25 and related interpretations in accounting for its employee stock options and provide pro forma fair value disclosure under SFAS 123.

Pro forma information regarding net income has been determined as if the Company had accounted for its stock options under the fair value method of SFAS 123. The fair value for these options was estimated at the date of grant using the Black-Scholes method with the following assumptions: volatility of 42% for 1998, 56% for 1999, and 66% for 2000; risk free interest rate of 5.5% for 1998, 6.5% for 1999, and 5.7% for 2000; dividend yield 0%; and an expected life of the option of 4 years in 1998 and 1999, and 4.4 years in 2000. The grant-date fair value of options granted was \$9.61 in 1998, \$14.45 in 1999, and \$14.77 in 2000.

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MAXIMUS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

#### 10. SHAREHOLDERS' EQUITY (CONTINUED)

For purposes of the pro forma disclosure, the estimated fair value of the options is amortized to reflect such expense over the options' vesting period. The effects of applying SFAS 123 for providing pro forma disclosures are not likely to be representative of the effects on reported net income for future years. For the years ended September 30, 1998, 1999 and 2000, pro forma net income and pro forma net income per share resulting from the adjustment for stock option compensation was as follows:

<TABLE>  
<CAPTION>

	YEAR ENDED SEPTEMBER 30,		
	1998	1999	2000
<S>	<C>	<C>	<C>
Net income.....	\$15,514	\$27,626	\$30,468
SFAS 123 compensation expense.....	(780)	(1,958)	(6,351)
Net income, as adjusted.....	\$14,734	\$25,668	\$24,117
Net income per share, as adjusted:			
Basic.....	\$ 0.82	\$ 1.25	\$ 1.15
Diluted.....	\$ 0.81	\$ 1.23	\$ 1.13

A summary of the Company's stock option activity for the years ended September 30, 1998, 1999 and 2000 is as follows:

<TABLE>  
<CAPTION>

	OPTIONS	WEIGHTED- AVERAGE EXERCISE PRICE
<S>	<C>	<C>
Outstanding at September 30, 1997.....	528,950	\$ 5.07
Activity during fiscal 1998:		
Granted.....	626,989	24.06
Exercised.....	(36,300)	3.46
Canceled due to termination.....	(25,887)	25.05
Outstanding at September 30, 1998.....	1,093,752	15.33
Activity during fiscal 1999:		
Granted.....	879,423	29.05
Exercised.....	(44,127)	10.26
Canceled due to termination.....	(110,807)	23.22
Outstanding at September 30, 1999.....	1,818,241	21.79
Activity during fiscal 2000:		
Granted.....	1,642,143	26.10
Exercised.....	(60,092)	10.69
Canceled due to termination.....	(181,064)	25.72
Outstanding at September 30, 2000.....	3,219,228	\$23.98

</TABLE>

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MAXIMUS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

10. SHAREHOLDERS' EQUITY (CONTINUED)

The ranges of exercise prices for outstanding options were as follows at September 30, 2000:

<TABLE>	<C>
<S>	
\$ 0.01 - \$ 1.46.....	326,350
\$12.31 - \$16.00.....	135,830
\$20.43 - \$36.63.....	2,757,048
	-----
	3,219,228
	=====

</TABLE>

The Company had approximately 1,080,000 options exercisable at September 30, 2000 at a weighted average exercise price of \$18.53 per share. Outstanding options have a weighted average remaining exercise period of 8.5 years at September 30, 2000.

11. COMMITMENTS AND CONTINGENCIES

LITIGATION

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 had

further alleged 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. This matter was settled in September 2000 without admission of fault or liability on the part of the Company. The Company's financial statements for fiscal year 2000 were appropriately adjusted to reflect a one-time charge for this legal settlement.

In January 2000, the New York City Human Resources Administration submitted two contracts that it had awarded to the Company for the performance of 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 New York Supreme Court, Appellate Division--First Department ordered the Comptroller to register the contracts in October 2000 after finding no wrongdoing in the Company's conduct. Nevertheless, this matter continues to be the subject of investigations being conducted by certain government 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. These offices reviewed some of the Company's documents and interviewed some of the Company's employees in 2000 and 2001. The Company believes that its actions were lawful and appropriate and, 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 its 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 disposed of unfavorably.

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MAXIMUS, INC.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

#### 11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

A substantial portion of payments to the Company from United States government agencies is subject to adjustments upon audit by the agency with which the Company has contracted. Audits through 1993 have been completed with no material adjustments. In the opinion of management, the audits of subsequent years are not expected to have a material adverse effect on the Company's financial position or results of operations.

#### EMPLOYMENT AGREEMENTS

The Company has employment agreements with 41 of its executives and other employees that provide for aggregate base salaries of approximately \$8,100 per year. The terms of the employment obligations end between 2001 and 2004.

#### 12. CONCENTRATIONS OF CREDIT RISK AND MAJOR CUSTOMERS

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts. To date, these financial instruments have been derived from contract revenues earned primarily from federal, state and local government agencies located in the United States.

At September 30, 2000, \$3,040 of the Company's accounts receivable were due from the United States Government. Revenues under contracts with various agencies of the United States Government were \$3,738 and \$8,670 for the years ended September 30, 1998 and 2000, respectively. Of these amounts, \$0 and \$5,416 for the years ended September 30, 1998 and 2000, respectively, were revenues of the Government Operations segment. A minimal amount of the Company's accounts receivable were due from the United States Government at September 30, 1999 and a minimal amount of revenue was derived from the United States Government during the year ended September 30, 1999.

At September 30, 1999 and 2000, \$12,640 and \$16,542 of the Company's accounts receivable were due from one state government. Revenues from contracts with this state, principally by the Government Operations segment, were \$30,934, \$49,131 and \$48,899 for the years ended September 30, 1998, 1999 and 2000, respectively.

#### 13. BUSINESS SEGMENTS

In October 2000, the Company completed a reorganization of its divisions in order to better focus and manage the Company's existing and future technology assets. Accordingly, prior periods have been reclassified to reflect current period presentation of segment information.

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

<TABLE>  
<CAPTION>

	1998	1999	2000
	-----	-----	-----
<S>	<C>	<C>	<C>
Revenues:			
Government Operations.....	\$139,263	\$177,428	\$221,177
Consulting.....	83,017	99,979	119,917
Systems.....	21,834	42,133	58,070
	-----	-----	-----
Total.....	\$244,114	\$319,540	\$399,164
	=====	=====	=====

</TABLE>

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MAXIMUS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

13. BUSINESS SEGMENTS (CONTINUED)

<TABLE>  
<CAPTION>

	1998	1999	2000
	-----	-----	-----
<S>	<C>	<C>	<C>
Gross profit:			
Government Operations.....	\$ 25,054	\$ 34,983	\$ 50,983
Consulting.....	31,014	41,604	49,982
Systems.....	6,643	18,041	25,579
	-----	-----	-----
Total.....	\$ 62,711	\$ 94,628	\$126,544
	=====	=====	=====
Income from operations:			
Government Operations.....	\$ 10,642	\$ 16,816	\$ 23,299
Consulting.....	10,766	19,084	22,299
Systems.....	2,723	7,362	5,912
	-----	-----	-----
Total.....	\$ 24,131	\$ 43,262	\$ 51,510
	=====	=====	=====
Identifiable assets:			
Government Operations.....	\$ 42,429	\$ 42,152	\$ 72,159
Consulting.....	31,489	51,258	60,981
Systems.....	5,958	14,076	65,458
Corporate.....	46,126	115,550	58,305
	-----	-----	-----
Total.....	\$126,002	\$223,036	\$256,903
	=====	=====	=====
Capital expenditures:			
Government Operations.....	\$ --	\$ --	\$ 18
Consulting.....	699	1,108	1,444
Systems.....	--	1,307	3,640
Corporate.....	461	8,174	2,674
	-----	-----	-----
Total.....	\$ 1,160	\$ 10,589	\$ 7,776
	=====	=====	=====
Depreciation and amortization:			
Government Operations.....	\$ 1,518	\$ 779	\$ 547
Consulting.....	863	1,179	1,998
Systems.....	12	259	3,100
Corporate.....	86	467	648
	-----	-----	-----
Total.....	\$ 2,479	\$ 2,684	\$ 6,293
	=====	=====	=====

</TABLE>

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MAXIMUS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

13. BUSINESS SEGMENTS (CONTINUED)

<TABLE>  
<CAPTION>

	SIX MONTHS ENDED MARCH 31,	
	2000	2001
<S>	<C>	<C>
Revenues:		
Government Operations.....	\$105,210	\$127,069
Consulting.....	54,396	72,302
Systems.....	23,578	34,150
Total.....	\$183,184	\$233,521
Gross Profit:		
Government Operations.....	\$ 23,514	\$ 27,340
Consulting.....	22,182	31,731
Systems.....	11,154	15,150
Total.....	\$ 56,850	\$ 74,221
Income from operations:		
Government Operations.....	\$ 11,569	\$ 12,234
Consulting.....	9,905	16,069
Systems.....	4,024	2,907
Total.....	\$ 25,498	\$ 31,210

</TABLE>

14. EVENT (UNAUDITED) SUBSEQUENT TO THE DATE OF THE INDEPENDENT AUDITOR'S REPORT--IMPACT OF NEW ACCOUNTING PRONOUNCEMENT

In December 1999, the staff of the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements ("SAB 101"). SAB 101 summarizes some of the staff's interpretations of application of generally accepted accounting principles to revenue recognition, including presentation in the consolidated financial statements. The staff provided guidance due, in part, to the large number of revenue recognition issues that it has encountered in registrant filings.

Under SAB 101, the Company will recognize revenue on many of its performance-based contracts as billings are rendered to customers, rather than as costs are incurred. Upon adopting SAB 101, the Company will adjust its financial statements for the six months ended March 31, 2001 to reflect the change in revenues and profit resulting from the application of the new accounting principle. The Company is currently evaluating the impact that SAB 101 will have on its financial statements and intends to adopt SAB 101 in the fourth quarter of fiscal 2001.

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-----  
-----  
3,500,000 SHARES

MAXIMUS-REGISTERED TRADEMARK-  
HELPING GOVERNMENT SERVE THE PEOPLE-REGISTERED TRADEMARK-

COMMON STOCK

-----  
P R O S P E C T U S  
-----

MERRILL LYNCH & CO.

BEAR, STEARNS & CO. INC.

LEGG MASON WOOD WALKER

INCORPORATED

, 2001

-----  
-----  
PART II  
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

Expenses in connection with the offering of the shares of MAXIMUS common stock registered under this Registration Statement will be borne by MAXIMUS and are estimated as follows:

<TABLE>	<S>	<C>
SEC registration fee.....	\$	35,048
New York Stock Exchange listing fee.....	\$	14,750
NASD fees and expenses.....	\$	14,520
Blue Sky fees and expenses.....	\$	5,000
Printing and engraving expenses.....	\$	150,000
Accounting fees and expenses.....	\$	250,000
Legal fees and expenses.....	\$	325,000
Transfer Agent and Registrar fees.....	\$	15,000
Miscellaneous expenses.....	\$	190,682
		-----
Total.....	\$	\$1,000,000
		=====

</TABLE>

All of the above figures, except the SEC registration fee, the New York Stock Exchange listing fee and the NASD fee, are estimates.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company's Amended and Restated Articles of Incorporation provide that the Company's directors and officers shall be indemnified to the full extent required or permitted by the Virginia Stock Corporation Act (the "VSCA"), including the advance of expenses, and that other employees and agents shall be indemnified to such extent as shall be authorized by the Board of Directors or the Bylaws of the Company and as shall be permitted by law.

Sections 13.1-697 and 13.1-702 of the VSCA permit the Company to indemnify an individual made party to a proceeding because he was a director, officer, employee or agent of the Company against liability incurred in the proceeding if (1) he conducted himself in good faith, (2) he believed, in the case of conduct in his official capacity, that such conduct was in the Company's best interests, or, in all other cases, that such conduct was at least not opposed to the Company's best interests, and (3) he had no reasonable cause to believe, in the case of a criminal proceeding, that his conduct was unlawful; provided, however, no indemnification shall be permitted (1) in connection with a proceeding by or in the right of the Company in which the individual is adjudged liable to the Company, or (2) in connection with any other proceeding charging improper personal benefit to such individual in which the individual is adjudged liable on the basis that personal benefit was improperly received by such individual. Under sections 13.1-698 and 13.1-702 of the VSCA, unless limited by its Articles of Incorporation, the Company shall indemnify a director or officer who entirely prevails in the defense of any proceeding to which he was a party because he is or was a director or officer against reasonable expenses incurred.

The Company carries Directors' and Officers' insurance which covers its directors and officers against certain liabilities they may incur when acting in their capacity as directors or officers of the Company.

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ITEM 16. EXHIBITS

See Exhibit Index immediately following the signature page hereof.

ITEM 17. UNDERTAKINGS

(a) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to





\*

Director

June 1, 2001

-----  
Lynn P. Davenport

</TABLE>

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<TABLE>  
<CAPTION>

SIGNATURE -----	TITLE -----	DATE ----
* ----- Thomas A. Grissen	<S> Director	<C> June 1, 2001
* ----- Peter Pond	Director	June 1, 2001
* ----- James R. Thompson	Director	June 1, 2001

</TABLE>

<TABLE>  
<S> <C>  
\*By:

/s/ F. ARTHUR NERRET ----- F. Arthur Nerret ATTORNEY-IN-FACT	<C>	<C>
---	-----	-----

</TABLE>

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EXHIBIT INDEX

<TABLE>  
<CAPTION>  
EXHIBIT  
NUMBER

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBIT -----
<S> 1	<C> Form of Underwriting Agreement by and among the Company, the Selling Shareholders and Merrill Lynch & Co., Bear, Stearns & Co. Inc. and Legg Mason Wood Walker, Incorporated.
4.1(1)	Amended and Restated Articles of Incorporation of the Company, as amended.
4.2(2)	Amended and Restated By-laws of the Company.
5*	Opinion of Palmer & Dodge LLP.
23.1	Consent of Ernst & Young LLP, Independent Auditors.
23.2*	Consent of Palmer & Dodge LLP. Included in Exhibit 5.
24*	Power of Attorney.

</TABLE>

\* Previously filed.

(1) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 (File No. 1-12997) on August 14, 2000 and incorporated herein by reference.

(2) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997 (File No. 1-12997) on August 14, 1997, and incorporated herein by reference.

MAXIMUS, INC.

(a Virginia corporation)

3,500,000 Shares of Common Stock

PURCHASE AGREEMENT

Dated: o, 2001

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MAXIMUS, INC.

(a Virginia corporation)

3,500,000 Shares of Common Stock

(no par value per share)

PURCHASE AGREEMENT

o, 2001

MERRILL LYNCH & CO.

Merrill Lynch, Pierce, Fenner & Smith  
 Incorporated  
 Bear, Stearns & Co. Inc.  
 Legg Mason Wood Walker, Incorporated  
 Adams Harkness & Hill, Inc.  
 BB&T Capital Markets, a Division of Scott & Stringfellow, Inc.  
 as Representatives of the several Underwriters

c/o Merrill Lynch & Co.  
 Merrill Lynch, Pierce, Fenner & Smith  
 Incorporated

North Tower  
 World Financial Center  
 New York, New York 10281-1209

Ladies and Gentlemen:

MAXIMUS, Inc., a Virginia corporation (the "Company"), and the persons listed in Schedule B hereto (the "Selling Shareholders"), confirm their respective agreements with Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), Bear, Stearns & Co. Inc., Legg Mason Wood Walker, Incorporated, Adams Harkness & Hill, Inc. and BB&T Capital Markets, a Division of Scott & Stringfellow, Inc. and each of the other Underwriters named in Schedule A hereto (collectively, the "Underwriters", which term shall also include any underwriter substituted as hereinafter provided in Section 10 hereof), for whom Merrill Lynch Bear, Stearns & Co. Inc., Legg Mason Wood Walker, Incorporated, Adams Harkness & Hill, Inc. and BB&T Capital Markets, A division of Scott & Stringfellow, Inc. are acting as representatives (in such capacity, the "Representatives"), with respect to (i) the sale by the Company and the Selling Shareholders, acting severally and not jointly, and the purchase by the Underwriters, acting severally and not jointly, of the respective numbers of shares of Common Stock, no par value per share, of the Company ("Common Stock") set forth in Schedules A and B hereto and (ii) the grant by certain of the Selling Shareholders to the

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Underwriters, acting severally and not jointly, of the option described in Section 2(b) hereof to purchase all or any part of 525,000 additional shares of Common Stock to cover over-allotments, if any. The aforesaid 3,500,000 shares of Common Stock (the "Initial Securities") to be purchased by the Underwriters and all or any part of the 525,000 shares of Common Stock subject to the option described in Section 2(b) hereof (the "Option Securities") are hereinafter called, collectively, the "Securities".

The Company and the Selling Shareholders understand that the Underwriters propose to make a public offering of the Securities as soon as the Representatives deem advisable after this Agreement has been executed and delivered.

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 (No. 333-o) covering the registration of the Securities under the Securities Act of 1933, as amended (the

"1933 Act"), including the related preliminary prospectus or prospectuses. Promptly after execution and delivery of this Agreement, the Company will either (i) prepare and file a prospectus in accordance with the provisions of Rule 430A ("Rule 430A") of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations") and paragraph (b) of Rule 424 ("Rule 424(b)") of the 1933 Act Regulations or (ii) if the Company has elected to rely upon Rule 434 ("Rule 434") of the 1933 Act Regulations, prepare and file a term sheet (a "Term Sheet") in accordance with the provisions of Rule 434 and Rule 424(b). The information included in such prospectus or in such Term Sheet, as the case may be, that was omitted from such registration statement at the time it became effective but that is deemed to be part of such registration statement at the time it became effective (a) pursuant to paragraph (b) of Rule 430A is referred to as "Rule 430A Information" or (b) pursuant to paragraph (d) of Rule 434 is referred to as "Rule 434 Information." Each prospectus used before such registration statement became effective, and any prospectus that omitted, as applicable, the Rule 430A Information or the Rule 434 Information, that was used after such effectiveness and prior to the execution and delivery of this Agreement, is herein called a "preliminary prospectus." Such registration statement, including the exhibits thereto, schedules thereto, if any, and the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the 1933 Act, at the time it became effective and including the Rule 430A Information and the Rule 434 Information, as applicable, is herein called the "Registration Statement." Any registration statement filed pursuant to Rule 462(b) of the 1933 Act Regulations is herein referred to as the "Rule 462(b) Registration Statement," and after such filing the term "Registration Statement" shall include the Rule 462(b) Registration Statement. The final prospectus, including the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the 1933 Act, in the form first furnished to the Underwriters for use in connection with the offering of the Securities is herein called the "Prospectus." If Rule 434 is relied on, the term "Prospectus" shall refer to the preliminary prospectus dated \_\_\_\_\_, 2001 together with the Term Sheet and all references in this Agreement to the date of the Prospectus shall mean the date of the Term Sheet. For purposes of this Agreement, all references to the Registration Statement, any preliminary prospectus, the Prospectus or any Term Sheet or any amendment or supplement to any of the foregoing shall be deemed to include the copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval system ("EDGAR").

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All references in this Agreement to financial statements and schedules and other information which is "contained," "included" or "stated" in the Registration Statement, any preliminary prospectus or the Prospectus (or other references of like import) shall be deemed to mean and include all such financial statements and schedules and other information which is incorporated by reference in the Registration Statement, any preliminary prospectus or the Prospectus, as the case may be; and all references in this Agreement to amendments or supplements to the Registration Statement, any preliminary prospectus or the Prospectus shall be deemed to mean and include the filing of any document under the Securities Exchange Act of 1934 (the "1934 Act") which is incorporated by reference in the Registration Statement, such preliminary prospectus or the Prospectus, as the case may be.

#### SECTION 1. Representations and Warranties.

(a) REPRESENTATIONS AND WARRANTIES BY THE COMPANY AND THE SELLING SHAREHOLDERS. The Company and the Selling Shareholders, jointly and severally, represent and warrant to each Underwriter as of the date hereof, as of the Closing Time referred to in Section 2(c) hereof, and as of each Date of Delivery (if any) referred to in Section 2(b) hereof, and agree with each Underwriter, as follows:

(i) COMPLIANCE WITH REGISTRATION REQUIREMENTS. The Company meets the requirements for use of Form S-3 under the 1933 Act. Each of the Registration Statement and any Rule 462(b) Registration Statement has become effective under the 1933 Act and no stop order suspending the effectiveness of the Registration Statement or any Rule 462(b) Registration Statement has been issued under the 1933 Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company and the Selling Shareholders, are contemplated by the Commission, and any request on the part of the Commission for additional information has been complied with.

At the respective times the Registration Statement, any Rule 462(b) Registration Statement and any post-effective amendments thereto became effective and at the Closing Time (and, if any Option Securities are purchased, at the Date of Delivery), the Registration Statement, the Rule 462(b) Registration Statement and any amendments and supplements thereto complied and will comply in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. Neither the Prospectus nor any amendments or supplements thereto (including any prospectus wrapper), at the time the Prospectus or any such amendment

or supplement was issued and at the Closing Time (and, if any Option Securities are purchased, at the Date of Delivery), included or will include an untrue statement of a material fact or omitted or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. If Rule 434 is used, the Company will comply with the requirements of Rule 434 and the Prospectus shall not be "materially different", as such term is used in Rule 434, from the prospectus included in the registration Statement at the time it became effective. The representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement or the Prospectus made in reliance upon and in conformity with

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information furnished to the Company in writing by any Underwriter through Merrill Lynch expressly for use in the Registration Statement or the Prospectus.

Each preliminary prospectus and the prospectus filed as part of the Registration Statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the 1933 Act, complied when so filed in all material respects with the 1933 Act Regulations and each preliminary prospectus and the Prospectus delivered to the Underwriters for use in connection with this offering was identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(ii) INCORPORATED DOCUMENTS. The documents incorporated or deemed to be incorporated by reference in the Registration Statement and the Prospectus, when they became effective or at the time they were or hereafter are filed with the Commission, complied and will comply in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations or the 1934 Act and the rules and regulations of the Commission thereunder (the "1934 Act Regulations"), as applicable, and, when read together with the other information in the Prospectus, at the time the Registration Statement became effective, at the time the Prospectus was issued and at the Closing Time (and, if any Option Securities are purchased, at the Date of Delivery), did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(iii) INDEPENDENT ACCOUNTANTS. The accountants who certified the financial statements and supporting schedules included in the Registration Statement are independent public accountants as required by the 1933 Act and the 1933 Act Regulations.

(iv) FINANCIAL STATEMENTS. The financial statements included in the Registration Statement and the Prospectus, together with the related schedules and notes, present fairly the financial position of the Company and its consolidated subsidiaries at the dates indicated and the statement of operations, stockholders' equity and cash flows of the Company and its consolidated subsidiaries for the periods specified; said financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved. The supporting schedules, if any, included in the Registration Statement present fairly in accordance with GAAP the information required to be stated therein. The selected financial data and the summary financial information included in the Prospectus present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included in the Registration Statement.

(v) NO MATERIAL ADVERSE CHANGE IN BUSINESS. Since the respective dates as of which information is given in the Registration Statement and the Prospectus, except as otherwise stated therein, (A) there has been no material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business (a "Material Adverse Effect"), (B) there have been no

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transactions entered into by the Company or any of its subsidiaries, other than those in the ordinary course of business, which are material with respect to the Company and its subsidiaries considered as one enterprise, and (C) there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock.

(vi) GOOD STANDING OF THE COMPANY. The Company has been duly

organized and is validly existing as a corporation in good standing under the laws of the Commonwealth of Virginia and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and to enter into and perform its obligations under this Agreement; and the Company is duly qualified as a foreign corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect.

(vii) GOOD STANDING OF SUBSIDIARIES. Each "significant subsidiary" of the Company (as such term is defined in Rule 1-02 of Regulation S-X) (each a "Subsidiary" and, collectively, the "Subsidiaries") has been duly organized and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect; except as otherwise disclosed in the Registration Statement, all of the issued and outstanding capital stock of each such Subsidiary has been duly authorized and validly issued, is fully paid and non-assessable and is owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity; none of the outstanding shares of capital stock of any Subsidiary was issued in violation of the preemptive or similar rights of any securityholder of such Subsidiary. The only subsidiaries of the Company are (a) the subsidiaries listed on Schedule D hereto and (b) certain other subsidiaries which, considered in the aggregate as a single Subsidiary, do not constitute a "significant subsidiary" as defined in Rule 1-02 of Regulation S-X

(viii) CAPITALIZATION. The authorized, issued and outstanding capital stock of the Company is as set forth in the Prospectus in the column entitled "Actual" under the caption "Capitalization" (except for subsequent issuances, if any, pursuant to this Agreement, pursuant to reservations, agreements or employee benefit plans referred to in the Prospectus or pursuant to the exercise of convertible securities or options referred to in the Prospectus). The shares of issued and outstanding capital stock, including the Securities to be purchased by the Underwriters from the Selling Shareholders, have been duly authorized and validly issued and are fully paid and non-assessable; none of the outstanding shares of capital stock, including the Securities to be purchased by the Underwriters from the Selling Shareholders, was issued in violation of the preemptive or other similar rights of any securityholder of the Company.

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(ix) AUTHORIZATION OF AGREEMENT. This Agreement has been duly authorized, executed and delivered by the Company.

(x) AUTHORIZATION AND DESCRIPTION OF SECURITIES. The Securities to be purchased by the Underwriters from the Company have been duly authorized for issuance and sale to the Underwriters pursuant to this Agreement and, when issued and delivered by the Company pursuant to this Agreement against payment of the consideration set forth herein, will be validly issued and fully paid and non-assessable; the Common Stock conforms to all statements relating thereto contained in the Prospectus and such description conforms to the rights set forth in the instruments defining the same; no holder of the Securities will be subject to personal liability by reason of being such a holder; and the issuance of the Securities is not subject to the preemptive or other similar rights of any securityholder of the Company.

(xi) ABSENCE OF DEFAULTS AND CONFLICTS. Neither the Company nor any of its subsidiaries is in violation of its charter or by-laws or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any subsidiary is subject (collectively, "Agreements and Instruments") except for such defaults that would not result in a Material Adverse Effect; and the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated herein and in the Registration Statement (including the issuance and sale of the Securities and the use of the proceeds from the sale of the Securities as described in the Prospectus under the caption "Use of Proceeds") and compliance by the Company with

its obligations hereunder have been duly authorized by all necessary corporate action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any subsidiary pursuant to, the Agreements and Instruments (except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not result in a Material Adverse Effect), nor will such action result in any violation of the provisions of the charter or by-laws of the Company or any subsidiary or any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any subsidiary or any of their assets, properties or operations. As used herein, a "Repayment Event" means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any subsidiary.

(xii) ABSENCE OF LABOR DISPUTE. No labor dispute with the employees of the Company or any subsidiary exists or, to the knowledge of the Company or the Selling Shareholders, is imminent, and neither the Company nor any Selling Shareholder is aware of any existing or imminent labor disturbance by the employees of any of its or any

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subsidiary's principal suppliers, manufacturers, customers or contractors, which, in either case, may reasonably be expected to result in a Material Adverse Effect.

(xiii) ABSENCE OF PROCEEDINGS. There is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of the Company or any Selling Shareholder, threatened, against or affecting the Company or any subsidiary, which is required to be disclosed in the Registration Statement (other than as disclosed therein), or which might reasonably be expected to result in a Material Adverse Effect, or which might reasonably be expected to materially and adversely affect the properties or assets thereof or the consummation of the transactions contemplated in this Agreement or the performance by the Company of its obligations hereunder; the aggregate of all pending legal or governmental proceedings to which the Company or any subsidiary is a party or of which any of their respective property or assets is the subject which are not described in the Registration Statement, including ordinary routine litigation incidental to the business, could not reasonably be expected to result in a Material Adverse Effect.

(xiv) ACCURACY OF EXHIBITS. There are no contracts or documents which are required to be described in the Registration Statement, the Prospectus or the documents incorporated by reference therein or to be filed as exhibits thereto which have not been so described and filed as required.

(xv) POSSESSION OF INTELLECTUAL PROPERTY. The Company and its subsidiaries own or possess, or can acquire on reasonable terms, adequate patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, trade names or other intellectual property (collectively, "Intellectual Property") necessary to carry on the business now operated by them, and the Company and any of its subsidiaries have not received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company or any of its subsidiaries therein, and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, singly or in the aggregate, would result in a Material Adverse Effect.

(xvi) ABSENCE OF FURTHER REQUIREMENTS. No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Company of its obligations hereunder, in connection with the offering, issuance or sale of the Securities hereunder or the consummation of the transactions contemplated by this Agreement, except such as have been already obtained or as may be required under the 1933 Act or the 1933 Act Regulations or state securities laws.

(xvii) POSSESSION OF LICENSES AND PERMITS. The Company and its subsidiaries possess such permits, licenses, approvals, consents and



other authorizations (collectively, "Governmental Licenses") issued by the appropriate federal, state, local or foreign

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regulatory agencies or bodies necessary to conduct the business now operated by them; the Company and its subsidiaries are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, singly or in the aggregate, have a Material Adverse Effect; all of the Governmental Licenses are valid and in full force and effect, except when the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not have a Material Adverse Effect; and neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in a Material Adverse Effect.

(xviii) TITLE TO PROPERTY. The Company and its subsidiaries have good and marketable title to all real property owned by the Company and its subsidiaries and good title to all other properties owned by them, in each case, free and clear of all mortgages, pledges, liens, security interests, claims, restrictions or encumbrances of any kind except such as (a) are described in the Prospectus or (b) do not, singly or in the aggregate, materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company or any of its subsidiaries; and all of the leases and subleases material to the business of the Company and its subsidiaries, considered as one enterprise, and under which the Company or any of its subsidiaries holds properties described in the Prospectus, are in full force and effect, and neither the Company nor any subsidiary has any notice of any material claim of any sort that has been asserted by anyone adverse to the rights of the Company or any subsidiary under any of the leases or subleases mentioned above, or affecting or questioning the rights of the Company or such subsidiary to the continued possession of the leased or subleased premises under any such lease or sublease.

(xix) INVESTMENT COMPANY ACT. The Company is not, and upon the issuance and sale of the Securities as herein contemplated and the application of the net proceeds therefrom as described in the Prospectus will not be, an "investment company" or an entity "controlled" by an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended (the "1940 Act").

(xx) ENVIRONMENTAL LAWS. Except as described in the Registration Statement and except as would not, singly or in the aggregate, result in a Material Adverse Effect, (A) neither the Company nor any of its subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, "Hazardous Materials") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "Environmental Laws"), (B) the Company and its subsidiaries have all permits, authorizations and approvals required under any applicable

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Environmental Laws and are each in compliance with their requirements, (C) there are no pending or threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or any of its subsidiaries and (D) there are no events or circumstances that might reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any of its subsidiaries relating to Hazardous Materials or any Environmental Laws.

(xxi) TAXES. The Company and its subsidiaries have filed all federal, state, local and foreign tax returns required to have been filed by them or appropriate extensions for such filings have been obtained as required by law, and have paid all taxes required to be paid by any of them and all assessments, fines, penalties and other governmental charges or levies made against them, except any such tax,

assessment, fine or penalty as are not yet due or are being contested in good faith and by appropriate proceedings; and adequate charges, accruals and reserves have been provided for in the financial statements referred to in Section 1(a)(iv) above in respect of all federal, state, local and foreign taxes for all periods as to which the tax liability of the Company or any of its subsidiaries has not been finally determined or remains open to examination by applicable taxing authorities.

(xxii) REGISTRATION RIGHTS. There are no persons with registration rights or other similar rights to have any securities registered pursuant to the Registration Statement or otherwise registered by the Company under the 1933 Act.

(xxiii) ABSENCE OF MANIPULATION. Neither the Company nor any of its subsidiaries has (i) taken, directly or indirectly, any action designed to cause or to result in, or that has constituted or which might reasonably be expected to constitute, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities or (ii) since the initial filing of the Registration Statement (A) sold, bid for, purchased or paid anyone any compensation for soliciting purchases of, the Securities, or (B) paid or agreed to pay to any person any compensation for soliciting another to purchase any other securities of the Company.

(xxiv) RELATIONSHIPS. No relationship, direct or indirect, exists between or among any of the Company or any affiliate of the Company, on the one hand, and any director, officer, shareholder, customer or supplier of any of them, on the other hand, which is required by the 1933 Act or by the 1933 Act Regulations to be described in the Registration Statement or the Prospectus which is not described as required.

(b) REPRESENTATIONS AND WARRANTIES BY THE SELLING SHAREHOLDERS. Each Selling Shareholder severally represents and warrants to each Underwriter as of the date hereof, as of the Closing Time, and, if the Selling Shareholder is selling Option Securities on a Date of Delivery, as of each such Date of Delivery, and agrees with each Underwriter, as follows:

(i) ACCURATE DISCLOSURE. To the best knowledge of such Selling Shareholder, the representations and warranties of the Company contained in Section 1(a) hereof are

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true and correct; such Selling Shareholder has reviewed and is familiar with the Registration Statement and the Prospectus and neither the Prospectus nor any amendments or supplements thereto includes any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; such Selling Shareholder is not prompted to sell the Securities to be sold by such Selling Shareholder hereunder by any information concerning the Company or any subsidiary of the Company which is not set forth in the Prospectus; and the documents incorporated or deemed to be incorporated by reference in the Registration Statement and the Prospectus, when they became effective or at the time they were or hereafter are filed with the Commission, when read together with the other information in the Prospectus, at the time the Registration Statement became effective, at the time the Prospectus was issued and at the Closing Time (and, if any Option Securities are purchased, at the Date of Delivery), did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(ii) AUTHORIZATION OF AGREEMENTS. Each Selling Shareholder has the full right, power and authority to enter into this Agreement and a Power of Attorney and Custody Agreement (the "Power of Attorney and Custody Agreement") and to sell, transfer and deliver the Securities to be sold by such Selling Shareholder hereunder. The execution and delivery of this Agreement and the Power of Attorney and Custody Agreement and the sale and delivery of the Securities to be sold by such Selling Shareholder and the consummation of the transactions contemplated herein and compliance by such Selling Shareholder with its obligations hereunder have been duly authorized by such Selling Shareholder and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default under, or result in the creation or imposition of any tax, lien, charge or encumbrance upon the Securities to be sold by such Selling Shareholder or any property or assets of such Selling Shareholder pursuant to any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, license, lease or other agreement or instrument to which such Selling Shareholder is a party or by which such Selling Shareholder may be bound, or to which any of the property or assets of such Selling Shareholder is subject, nor will

such action result in any violation of the provisions of the charter or by-laws or other organizational instrument of such Selling Shareholder, if applicable, or any applicable treaty, law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over such Selling Shareholder or any of its properties.

(iii) GOOD AND MARKETABLE TITLE. Such Selling Shareholder has and will at the Closing Time and, if any Option Securities are purchased, on the Date of Delivery have good and marketable title to the Securities to be sold by such Selling Shareholder hereunder, free and clear of any security interest, mortgage, pledge, lien, charge, claim, equity or encumbrance of any kind, other than pursuant to this Agreement; and upon delivery of such Securities and payment of the purchase price therefor as herein contemplated, assuming each such Underwriter has no notice of any adverse claim, each of the Underwriters will receive good and marketable title to the Securities purchased by

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it from such Selling Shareholder, free and clear of any security interest, mortgage, pledge, lien, charge, claim, equity or encumbrance of any kind.

(iv) DUE EXECUTION OF POWER OF ATTORNEY AND CUSTODY AGREEMENT. Such Selling Shareholder has duly executed and delivered, in the form heretofore furnished to the Representatives, the Power of Attorney and Custody Agreement with David V. Mastran and Raymond B. Ruddy, and each of them, as attorneys-in-fact (the "Attorneys-in-Fact") and the Company, as custodian (the "Custodian"); the Custodian is authorized to deliver the Securities to be sold by such Selling Shareholder hereunder and to accept payment therefor; and each Attorney-in-Fact is authorized to execute and deliver this Agreement and the certificate referred to in Section 5(f) or that may be required pursuant to Sections 5(l) and 5(m) on behalf of such Selling Shareholder, to sell, assign and transfer to the Underwriters the Securities to be sold by such Selling Shareholder hereunder, to determine the purchase price to be paid by the Underwriters to such Selling Shareholder, as provided in Section 2(a) hereof, to authorize the delivery of the Securities to be sold by such Selling Shareholder hereunder, to accept payment therefor, and otherwise to act on behalf of such Selling Shareholder in connection with this Agreement.

(v) ABSENCE OF MANIPULATION. Such Selling Shareholder has not taken, and will not take, directly or indirectly, any action which is designed to or which has constituted or which might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(vi) ABSENCE OF FURTHER REQUIREMENTS. No filing with, or consent, approval, authorization, order, registration, qualification or decree of, any court or governmental authority or agency, domestic or foreign, is necessary or required for the performance by each Selling Shareholder of its obligations hereunder or in the Power of Attorney and Custody Agreement, or in connection with the sale and delivery of the Securities hereunder or the consummation of the transactions contemplated by this Agreement, except in such as may have previously been made or obtained or as may be required under the 1933 Act or the 1933 Act Regulations or state securities laws.

(vii) RESTRICTION ON SALE OF SECURITIES. During a period of 90 days from the date of the Prospectus, such Selling Shareholder will not, without the prior written consent of Merrill Lynch, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any share of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, whether now owned or hereafter acquired or with respect to which such Selling Shareholder has or hereafter acquires the power of disposition, or file any registration statement under the 1933 Act with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (a) the Securities to be sold hereunder, (b) shares of Common

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Stock sold or otherwise transferred by means of a transaction arranged and managed by Merrill Lynch or an affiliate of Merrill Lynch acting

under Merrill Lynch's instruction (other than ordinary course brokerage transactions), (c) shares of Common Stock transferred pursuant to will, the laws of descent and distribution, or a qualified domestic relations order, (d) shares of Common Stock disposed of as bona fide gifts, and (e) shares of Common Stock transferred to a trust for which such Selling Shareholder is a trustee and/or beneficiary; provided, however,, that any shares of Common Stock transferred pursuant to items (d) and (e) of this paragraph shall be subject to the same 90-days restriction set forth in the paragraph and prior to such transfer the transferor thereof shall deliver to the Representatives the written agreement of the transferee to be bound by such restrictions.

(viii) CERTIFICATES SUITABLE FOR TRANSFER. Certificates for all of the Securities to be sold by such Selling Shareholder pursuant to this Agreement, in suitable form for transfer by delivery or accompanied by duly executed instruments of transfer or assignment in blank with signatures guaranteed, have been placed in custody with the Custodian with irrevocable conditional instructions to deliver such Securities to the Underwriters pursuant to this Agreement.

(ix) NO ASSOCIATION WITH NASD. Neither such Selling Shareholder nor any of his or her affiliates directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, or has any other association with (within the meaning of Article I, Section 1(m) of the By-laws of the National Association of Securities Dealers, Inc.), any member firm of the National Association of Securities Dealers, Inc.

(x) CIVIL ENFORCEABILITY. Such Selling Shareholder and his or her obligations under this Agreement are subject to civil and commercial law and to suit and neither such Selling Shareholder nor any of his or her properties, assets or revenues has any right of immunity from any legal action, suit or proceeding, from the giving of any relief in any such legal action, suit or proceeding, from setoff or counter-claim, from the jurisdiction of any court, from service of process, attachment upon or prior to judgment, or attachment in aid of execution of judgment, or from execution of a judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of a judgment, in any jurisdiction, with respect to his or her obligations, liabilities or any other matter under or arising out of or in connection with this Agreement and the Power of Attorney and Custody Agreement, and to the extent that such Selling Shareholder or any of his or her properties, assets or revenues may have or may hereafter become entitled to any such right of immunity in any jurisdiction in which proceedings may at any time be commenced, such Selling Shareholder has effectively waived such right and consented to such relief and enforcement pursuant to Section 14 of this Agreement.

(xi) SUBMISSION TO JURISDICTION. Such Selling Shareholder has the power to submit, and pursuant to Section 15 of this Agreement has legally, validly and effectively submitted, to the jurisdiction of any federal or state court in the State of New York, County of New York, and has the power to designate, appoint and empower and pursuant to Section 15 of this Agreement has legally, validly and effectively designated, appointed

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and empowered an agent for service of process in any suit or proceeding based on or arising under this Agreement in any federal or state court in the State of New York, County of New York.

(c) OFFICER'S CERTIFICATES. Any certificate signed by any officer of the Company or any of its subsidiaries delivered to the Representatives or to counsel for the Underwriters shall be deemed a representation and warranty by the Company to each Underwriter as to the matters covered thereby; and any certificate signed by or on behalf of the Selling Shareholders as such and delivered to the Representatives or to counsel for the Underwriters pursuant to the terms of this Agreement shall be deemed a representation and warranty by such Selling Shareholder to the Underwriters as to the matters covered thereby.

## SECTION 2. Sale and Delivery to Underwriters; Closing.

(a) INITIAL SECURITIES. On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company and each Selling Shareholder, severally and not jointly, agree to sell to each Underwriter, severally and not jointly, and each Underwriter, severally and not jointly, agrees to purchase from the Company and each Selling Shareholder, at the price per share set forth in Schedule C, that proportion of the number of Initial Securities set forth in Schedule B opposite the name of the Company or such Selling Shareholder, as the case may be, which the number of Initial Securities set forth in Schedule A opposite the name of such Underwriter, plus any additional number of Initial Securities which such Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof, bears to the total number of Initial Securities, subject, in

each case, to such adjustments among the Underwriters as the Representatives in their sole discretion shall make to eliminate any sales or purchases of fractional securities.

(b) OPTION SECURITIES. In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, David V. Mastran and Raymond B. Ruddy (together, the "Option Selling Shareholders"), acting severally and not jointly, hereby grant an option to the Underwriters, severally and not jointly, to purchase up to an additional 525,000 shares of Common Stock, as set forth in Schedule B, at the price per share set forth in Schedule C, less an amount per share equal to any dividends or distributions declared by the Company and payable on the Initial Securities but not payable on the Option Securities. The option hereby granted will expire 30 days after the date hereof and may be exercised in whole or in part from time to time only for the purpose of covering over-allotments which may be made in connection with the offering and distribution of the Initial Securities upon notice by the Representatives to the Company and the Option Selling Shareholders setting forth the number of Option Securities as to which the several Underwriters are then exercising the option and the time and date of payment and delivery for such Option Securities. Any such time and date of delivery (a "Date of Delivery") shall be determined by the Representatives, but shall not be later than seven full business days after the exercise of said option, nor in any event prior to the Closing Time, as hereinafter defined. If the option is exercised as to all or any portion of the Option Securities, each of the Underwriters, acting severally and not jointly, will purchase that proportion of the total number of Option Securities then being purchased which the number of Initial Securities set forth in Schedule A opposite the name of such Underwriter bears to the total

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number of Initial Securities, subject in each case to such adjustments as the Representatives in their discretion shall make to eliminate any sales or purchases of fractional shares.

(c) PAYMENT. Payment of the purchase price for, and delivery of certificates for, the Initial Securities shall be made at the offices of Sidley Austin Brown & Wood LLP, One World Trade Center, 59th Floor, New York, New York 10048, or at such other place as shall be agreed upon by the Representatives and the Company and the Selling Shareholders, at 9:00 A.M. (Eastern time) on the third (fourth, if the pricing occurs after 4:30 P.M. (Eastern time) on any given day) business day after the date hereof (unless postponed in accordance with the provisions of Section 10), or such other time not later than ten business days after such date as shall be agreed upon by the Representatives and the Company and the Selling Shareholders (such time and date of payment and delivery being herein called "Closing Time").

In addition, in the event that any or all of the Option Securities are purchased by the Underwriters, payment of the purchase price for, and delivery of certificates for, such Option Securities shall be made at the above-mentioned offices, or at such other place as shall be agreed upon by the Representatives and the Company and the Selling Shareholders, on each Date of Delivery as specified in the notice from the Representatives to the Company and the Selling Shareholders.

Payment shall be made to the Company and the Selling Shareholders by wire transfer of immediately available funds to a bank accounts designated by the Company and the Custodian pursuant to each Selling Shareholder's Power of Attorney and Custody Agreement, as the case may be, against delivery to the Representatives for the respective accounts of the Underwriters of certificates for the Securities to be purchased by them. It is understood that each Underwriter has authorized the Representatives, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Initial Securities and the Option Securities, if any, which it has agreed to purchase. Merrill Lynch, individually and not as representative of the Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Initial Securities or the Option Securities, if any, to be purchased by any Underwriter whose funds have not been received by the Closing Time or the relevant Date of Delivery, as the case may be, but such payment shall not relieve such Underwriter from its obligations hereunder.

(d) DENOMINATIONS; REGISTRATION. Certificates for the Initial Securities and the Option Securities, if any, shall be in such denominations and registered in such names as the Representatives may request in writing at least one full business day before the Closing Time or the relevant Date of Delivery, as the case may be. The certificates for the Initial Securities and the Option Securities, if any, will be made available for examination and packaging by the Representatives in The City of New York not later than 10:00 A.M. (Eastern time) on the business day prior to the Closing Time or the relevant Date of Delivery, as the case may be.

SECTION 3. COVENANTS OF THE COMPANY. The Company covenants with each Underwriter as follows:

(a) COMPLIANCE WITH SECURITIES REGULATIONS AND COMMISSION

REQUESTS. The Company, subject to Section 3(b), will comply with the requirements of Rule 430A or Rule 434, as applicable, and will notify the Representatives immediately, and confirm the

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notice in writing, (i) when any post-effective amendment to the Registration Statement shall become effective, or any supplement to the Prospectus or any amended Prospectus shall have been filed, (ii) of the receipt of any comments from the Commission, (iii) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus or for additional information, and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of any order preventing or suspending the use of any preliminary prospectus, or of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, or of the initiation or threatening of any proceedings for any of such purposes. The Company will promptly effect the filings necessary pursuant to Rule 424(b) and will take such steps as it deems necessary to ascertain promptly whether the form of prospectus transmitted for filing under Rule 424(b) was received for filing by the Commission and, in the event that it was not, it will promptly file such prospectus. The Company will make every reasonable effort to prevent the issuance of any stop order and, if any stop order is issued, to obtain the lifting thereof at the earliest possible moment.

(b) FILING OF AMENDMENTS. The Company will give the Representatives notice of its intention to file or prepare any amendment to the Registration Statement (including any filing under Rule 462(b)), any Term Sheet or any amendment, supplement or revision to either the prospectus included in the Registration Statement at the time it became effective or to the Prospectus, whether pursuant to the 1933 Act, the 1934 Act or otherwise, will furnish the Representatives with copies of any such documents a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file or use any such document to which the Representatives or counsel for the Underwriters shall object.

(c) DELIVERY OF REGISTRATION STATEMENTS. The Company has furnished or will deliver to the Representatives and counsel for the Underwriters, without charge, signed copies of the Registration Statement as originally filed and of each amendment thereto (including exhibits filed therewith or incorporated by reference therein and documents incorporated or deemed to be incorporated by reference therein) and signed copies of all consents and certificates of experts, and will also deliver to the Representatives, without charge, a conformed copy of the Registration Statement as originally filed and of each amendment thereto (without exhibits) for each of the Underwriters. The copies of the Registration Statement and each amendment thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(d) DELIVERY OF PROSPECTUSES. The Company has delivered to each Underwriter, without charge, as many copies of each preliminary prospectus as such Underwriter reasonably requested, and the Company hereby consents to the use of such copies for purposes permitted by the 1933 Act. The Company will furnish to each Underwriter, without charge, during the period when the Prospectus is required to be delivered under the 1933 Act or the 1934 Act, such number of copies of the Prospectus (as amended or supplemented) as such Underwriter may reasonably request. The Prospectus and any amendments or supplements thereto furnished to the Underwriters will be identical to the

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electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(e) CONTINUED COMPLIANCE WITH SECURITIES LAWS. The Company will comply with the 1933 Act and the 1933 Act Regulations and the 1934 Act and the 1934 Act Regulations so as to permit the completion of the distribution of the Securities as contemplated in this Agreement and in the Prospectus. If at any time when a prospectus is required by the 1933 Act to be delivered in connection with sales of the Securities, any event shall occur or condition shall exist as a result of which it is necessary, in the opinion of counsel for the Underwriters or for the Company, to amend the Registration Statement or amend or supplement the Prospectus in order that the Prospectus will not include any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, or if it shall be necessary, in the opinion of such counsel, at any such time to amend the Registration Statement or amend or

supplement the Prospectus in order to comply with the requirements of the 1933 Act or the 1933 Act Regulations, the Company will promptly prepare and file with the Commission, subject to Section 3(b), such amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement or the Prospectus comply with such requirements, and the Company will furnish to the Underwriters such number of copies of such amendment or supplement as the Underwriters may reasonably request.

(f) BLUE SKY QUALIFICATIONS. The Company will use its best efforts, in cooperation with the Underwriters, to qualify the Securities for offering and sale under the applicable securities laws of such states and other jurisdictions as the Representatives may designate and to maintain such qualifications in effect for a period of not less than one year from the later of the effective date of the Registration Statement and any Rule 462(b) Registration Statement; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject. In each jurisdiction in which the Securities have been so qualified, the Company will file such statements and reports as may be required by the laws of such jurisdiction to continue such qualification in effect for a period of not less than one year from the effective date of the Registration Statement and any Rule 462(b) Registration Statement.

(g) RULE 158. The Company will timely file such reports pursuant to the 1934 Act as are necessary in order to make generally available to its securityholders as soon as practicable an earnings statement for the purposes of, and to provide the benefits contemplated by, the last paragraph of Section 11(a) of the 1933 Act.

(h) USE OF PROCEEDS. The Company will use the net proceeds received by it from the sale of the Securities in the manner specified in the Prospectus under "Use of Proceeds".

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(i) LISTING. The Company will use its best efforts to effect the listing of the Securities on the New York Stock Exchange.

(j) RESTRICTION ON SALE OF SECURITIES. During a period of 90 days from the date of the Prospectus, the Company will not, without the prior written consent of Merrill Lynch, (i) directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any share of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or file any registration statement under the 1933 Act with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the Securities to be sold hereunder, (B) any shares of Common Stock issued by the Company upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof and referred to in the Prospectus, (C) any shares of Common Stock issued or options to purchase Common Stock granted pursuant to existing employee benefit plans of the Company referred to in the Prospectus or (D) any shares of Common Stock issued pursuant to any non-employee director stock plan or dividend reinvestment plan.

(k) REPORTING REQUIREMENTS. The Company, during the period when the Prospectus is required to be delivered under the 1933 Act or the 1934 Act, will file all documents required to be filed with the Commission pursuant to the 1934 Act within the time periods required by the 1934 Act and the 1934 Act Regulations.

#### SECTION 4. PAYMENT OF EXPENSES.

(a) EXPENSES. The Company and the Selling Shareholders will pay or cause to be paid all expenses incident to the performance of their obligations under this Agreement, including (i) the preparation, printing and filing of the Registration Statement (including financial statements and exhibits) as originally filed and of each amendment thereto, (ii) the preparation, printing and delivery to the Underwriters of this Agreement, any Agreement among Underwriters and such other documents as may be required in connection with the offering, purchase, sale, issuance or delivery of the Securities, (iii) the preparation, issuance and delivery of the certificates for the Securities to the Underwriters, including any stock or other transfer taxes and any stamp or other

duties payable upon the sale, issuance or delivery of the Securities to the Underwriters, (iv) the fees and disbursements of the Company's counsel, accountants and other advisors, (v) the qualification of the Securities under securities laws in accordance with the provisions of Section 3(f) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of the Blue Sky Survey and any supplement thereto, (vi) the printing and delivery to the Underwriters of copies of each preliminary prospectus, any Term Sheets and of the Prospectus and any amendments or supplements thereto, (vii) the preparation, printing and delivery to the Underwriters of copies of the Blue Sky Survey and any supplement thereto, (viii) the fees and expenses of any transfer agent or registrar for the Securities, (ix) the filing fees incident to, and

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the reasonable fees and disbursements of counsel to the Underwriters in connection with, the review by the National Association of Securities Dealers, Inc. (the "NASD") of the terms of the sale of the Securities and (x) the fees and expenses incurred in connection with the listing of the Securities on the New York Stock Exchange.

(b) EXPENSES OF THE SELLING SHAREHOLDERS. The Selling Shareholders, jointly and severally, will pay all expenses incident to the performance of their respective obligations under, and the consummation of the transactions contemplated by this Agreement, including (i) any stamp duties, capital duties and stock transfer taxes, if any, payable upon the sale of the Securities to the Underwriters, and their transfer between the Underwriters pursuant to an agreement between such Underwriters, and (ii) the fees and disbursements of their respective counsel and accountants.

(c) TERMINATION OF AGREEMENT. If this Agreement is terminated by the Representatives in accordance with the provisions of Section 5, Section 9(a) (i) or Section 11 hereof, the Company and the Selling Shareholders shall reimburse the Underwriters for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the Underwriters.

(d) ALLOCATION OF EXPENSES. The provisions of this Section shall not affect any agreement that the Company and the Selling Shareholders may make for the sharing of such costs and expenses.

SECTION 5. CONDITIONS OF UNDERWRITERS' OBLIGATIONS. The obligations of the several Underwriters hereunder are subject to the accuracy of the representations and warranties of the Company and the Selling Shareholders contained in Section 1 hereof or in certificates of any officer of the Company or any subsidiary of the Company or on behalf of any Selling Shareholder delivered pursuant to the provisions hereof, to the performance by the Company of its covenants and other obligations hereunder, and to the following further conditions:

(a) EFFECTIVENESS OF REGISTRATION STATEMENT. The Registration Statement, including any Rule 462(b) Registration Statement, has become effective and at Closing Time no stop order suspending the effectiveness of the Registration Statement shall have been issued under the 1933 Act or proceedings therefor initiated or threatened by the Commission, and any request on the part of the Commission for additional information shall have been complied with to the reasonable satisfaction of counsel to the Underwriters. A prospectus containing the Rule 430A Information shall have been filed with the Commission in accordance with Rule 424(b) (or a post-effective amendment providing such information shall have been filed and declared effective in accordance with the requirements of Rule 430A) or, if the Company has elected to rely upon Rule 434, a Term Sheet shall have been filed with the Commission in accordance with Rule 424(b).

(b) OPINION OF COUNSEL FOR COMPANY. At Closing Time, the Representatives shall have received the favorable opinion, dated as of Closing Time, of Palmer & Dodge LLP, counsel for the Company, in form and substance satisfactory to counsel for the Underwriters, together with signed or reproduced copies of such letter for each of the other Underwriters to the effect set forth in Exhibit A hereto and to such further effect as counsel to the Underwriters may reasonably request.

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(c) OPINION OF COUNSEL FOR THE SELLING SHAREHOLDERS. At Closing Time, the Representatives shall have received the favorable opinion, dated as of Closing Time, of Palmer & Dodge LLP, counsel for the Selling Shareholders, in form and substance satisfactory to counsel for the Underwriters, together with signed or reproduced copies of such letter for each of the other Underwriters to the effect set forth in Exhibit B hereto and to such further effect as counsel to the Underwriters may reasonably request.

(d) OPINION OF COUNSEL FOR UNDERWRITERS. At Closing Time, the Representatives shall have received the favorable opinion, dated as of Closing Time, of Sidley Austin Brown & Wood LLP, counsel for the Underwriters, together



with signed or reproduced copies of such letter for each of the other Underwriters with respect to the matters set forth in clauses (i), (ii), (v), (vi) (solely as to preemptive or other similar rights arising under the charter or by-laws of the Company), (viii) through (x), inclusive, (xiii), (xv) (solely as to the description of the Company's common stock contained in the Company's registration statement on Form 8-A filed on May 15, 1997, including any amendment or report filed for the purpose of updating that description) and the preultimate paragraph of Exhibit A hereto. In giving such opinion such counsel may rely, as to all matters governed by the laws of jurisdictions other than the law of the State of New York and the federal law of the United States, upon the opinions of counsel satisfactory to the Representatives. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Company and its subsidiaries and certificates of public officials.

(e) OFFICERS' CERTIFICATE. At Closing Time, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Prospectus, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, and the Representatives shall have received a certificate of the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company, dated as of Closing Time, to the effect that (i) there has been no such material adverse change, (ii) the representations and warranties in Section 51(a) hereof are true and correct with the same force and effect as though expressly made at and as of Closing Time, (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to Closing Time, and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or are contemplated by the Commission.

(f) CERTIFICATE OF SELLING SHAREHOLDERS. At Closing Time, the Representatives shall have received a certificate of an Attorney-in-Fact on behalf of each Selling Shareholder, dated as of Closing Time, to the effect that (i) the representations and warranties of each Selling Shareholder contained in Section 1(a) and (b) hereof are true and correct in all respects with the same force and effect as though expressly made at and as of Closing Time and (ii) each Selling Shareholder has complied in all material respects with all agreements and all conditions on its part to be performed under this Agreement at or prior to Closing Time.

(g) ACCOUNTANT'S COMFORT LETTER. At the time of the execution of this Agreement, the Representatives shall have received from Ernst & Young LLP a letter dated such date, in form

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and substance satisfactory to the Representatives, together with signed or reproduced copies of such letter for each of the other Underwriters containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectus (whether contained directly or incorporated by reference).

(h) BRING-DOWN COMFORT LETTER. At Closing Time, the Representatives shall have received from Ernst & Young LLP a letter, dated as of Closing Time, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection of this Section, except that the specified date referred to shall be a date not more than three business days prior to Closing Time.

(i) APPROVAL OF LISTING. At Closing Time, the Securities shall have been approved for listing on the New York Stock Exchange, subject only to official notice of issuance.

(j) NO OBJECTION. The NASD has confirmed that it has not raised any objection with respect to the fairness and reasonableness of the underwriting terms and arrangements.

(k) LOCK-UP AGREEMENTS. At the date of this Agreement, the Representatives shall have received an agreement substantially in the form of Exhibit C hereto signed by the persons listed on Schedule E hereto.

(l) CONDITIONS TO PURCHASE OF OPTION SECURITIES. In the event that the Underwriters exercise their option provided in Section 2(b) hereof to purchase all or any portion of the Option Securities, the representations and warranties of the Company and the Selling Shareholders contained herein and the statements in any certificates furnished by the Company, any subsidiary of the Company and the Selling Shareholders hereunder shall be true and correct as of each Date of Delivery and, at the relevant Date of Delivery, the Representatives shall have received:

(i) OFFICERS' CERTIFICATE. A certificate, dated such Date of Delivery, of the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company

confirming that the certificate delivered at the Closing Time pursuant to Section 5(e) hereof remains true and correct as of such Date of Delivery.

(i) CERTIFICATE OF SELLING SHAREHOLDERS. A certificate, dated such Date of Delivery, of an Attorney-in-Fact on behalf of each Selling Shareholder confirming that the certificate delivered at Closing Time pursuant to Section 5(f) remains true and correct as of such Date of Delivery.

(ii) OPINION OF COUNSEL FOR COMPANY. The favorable opinion of Palmer & Dodge LLP, counsel for the Company, in form and substance satisfactory to counsel for the Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(b) hereof.

(iii) OPINION OF COUNSEL FOR THE SELLING SHAREHOLDERS. The favorable opinion of Palmer & Dodge LLP, counsel for the Selling Shareholders, in form and substance

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satisfactory to counsel for the Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(c) hereof.

(v) OPINION OF COUNSEL FOR UNDERWRITERS. The favorable opinion of Sidley Austin Brown & Wood LLP, counsel for the Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(d) hereof.

(iv) BRING-DOWN COMFORT LETTER. A letter from Ernst & Young LLP, in form and substance satisfactory to the Representatives and dated such Date of Delivery, substantially in the same form and substance as the letter furnished to the Representatives pursuant to Section 5(g) hereof, except that the "specified date" in the letter furnished pursuant to this paragraph shall be a date not more than five days prior to such Date of Delivery.

(m) ADDITIONAL DOCUMENTS. At Closing Time and at each Date of Delivery counsel for the Underwriters shall have been furnished with such documents and opinions as they may require for the purpose of enabling them to pass upon the issuance and sale of the Securities as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company and the Selling Shareholders in connection with the issuance and sale of the Securities as herein contemplated shall be satisfactory in form and substance to the Representatives and counsel for the Underwriters.

(n) TERMINATION OF AGREEMENT. If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement, or, in the case of any condition to the purchase of Option Securities on a Date of Delivery which is after the Closing Time, the obligations of the several Underwriters to purchase the relevant Option Securities, may be terminated by the Representatives by notice to the Company at any time at or prior to Closing Time or such Date of Delivery, as the case may be, and such termination shall be without liability of any party to any other party except as provided in Section 4 and except that Sections 1, 6, 7 and 8 shall survive any such termination and remain in full force and effect.

#### SECTION 6. Indemnification.

(a) INDEMNIFICATION OF UNDERWRITERS. The Company and the Selling Shareholders, jointly and severally, agree to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or

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alleged untrue statement of a material fact included in any preliminary prospectus or the Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the

circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 6(d) below) any such settlement is effected with the written consent of the Company and the Selling Shareholders; and

(iii) against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel chosen by Merrill Lynch), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above;

PROVIDED, HOWEVER, that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by any Underwriter through Merrill Lynch expressly for use in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto). The foregoing indemnity with respect to any untrue statement contained in or omission from a preliminary prospectus shall not inure to the benefit of any Underwriter (or any person controlling such Underwriter) from whom the person asserting any such loss, liability, claim, damage or expense purchased any of the Securities which are the subject thereof if the Company or any Selling Shareholder shall sustain the burden of proving that such person was not sent or given a copy of the Prospectus (or the Prospectus as amended or supplemented) at or prior to the written confirmation of the sale of such Securities to such person and the untrue statement contained in or omission from such preliminary prospectus was corrected in the Prospectus (or the Prospectus as amended or supplemented). Notwithstanding the foregoing, the aggregate liability of any Selling Shareholder pursuant to the provisions of this Section 6(a) shall be limited to an amount equal to the aggregate purchase price received by such Selling Shareholder from the sale of Securities by such Selling Shareholder hereunder.

(b) INDEMNIFICATION OF COMPANY, DIRECTORS AND OFFICERS AND SELLING SHAREHOLDERS. Each Underwriter severally agrees to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act, and each Selling Shareholder and each person, if any, who controls any Selling Shareholder within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of

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this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such Underwriter through Merrill Lynch expressly for use in the Registration Statement (or any amendment thereto) or such preliminary prospectus or the Prospectus (or any amendment or supplement thereto).

(c) ACTIONS AGAINST PARTIES; NOTIFICATION. Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In the case of parties indemnified pursuant to Section 6(a) above, counsel to the indemnified parties shall be selected by Merrill Lynch, and, in the case of parties indemnified pursuant to Section 6(b) above, counsel to the indemnified parties shall be selected by the Company. An indemnifying party may participate at its own expense in the defense of any such action; provided, however, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of

the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 6 or Section 7 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) SETTLEMENT WITHOUT CONSENT IF FAILURE TO REIMBURSE. If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 6(a)(ii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

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(e) OTHER AGREEMENTS WITH RESPECT TO INDEMNIFICATION. The provisions of this Section shall not affect any agreement among the Company and the Selling Shareholders with respect to indemnification.

SECTION 7. CONTRIBUTION. If the indemnification provided for in Section 6 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Shareholders on the one hand and the Underwriters on the other hand from the offering of the Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Selling Shareholders on the one hand and of the Underwriters on the other hand in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company and the Selling Shareholders on the one hand and the Underwriters on the other hand in connection with the offering of the Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Securities pursuant to this Agreement (before deducting expenses) received by the Company and the Selling Shareholders and the total underwriting discount received by the Underwriters, in each case as set forth on the cover of the Prospectus, or, if Rule 434 is used, the corresponding location on the Term Sheet bear to the aggregate initial public offering price of the Securities as set forth on such cover.

The relative fault of the Company and the Selling Shareholders on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Selling Shareholders or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company, the Selling Shareholders and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 7. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 7 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 7, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities

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underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of any such untrue or alleged untrue statement or omission or alleged omission.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 7, each person, if any, who controls an Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company or any Selling Shareholder within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company or such Selling Shareholder, as the case may be. The Underwriters' respective obligations to contribute pursuant to this Section 7 are several in proportion to the number of Initial Securities set forth opposite their respective names in Schedule A hereto and not joint.

The provisions of this Section shall not affect any agreement among the Company and the Selling Shareholders with respect to contribution.

SECTION 8. REPRESENTATIONS, WARRANTIES AND AGREEMENTS TO SURVIVE DELIVERY. All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company or any of its subsidiaries or the Selling Shareholders submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or controlling person, or by or on behalf of the Company or the Selling Shareholders, and shall survive delivery of the Securities to the Underwriters.

#### SECTION 9. TERMINATION OF AGREEMENT.

(a) TERMINATION; GENERAL. The Representatives may terminate this Agreement, by notice to the Company and the Selling Shareholders, at any time at or prior to Closing Time (i) if there has been, since the time of execution of this Agreement or since the respective dates as of which information is given in the Prospectus, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, or (ii) if there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the Representatives, impracticable to market the Securities or to enforce contracts for the sale of the Securities, or (iii) if trading in any securities of the Company has been suspended or materially limited by the Commission or the New York Stock Exchange, or if trading generally on the American Stock Exchange or the New York Stock Exchange or in the Nasdaq National Market has been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by such system or by order of the Commission, the

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National Association of Securities Dealers, Inc. or any other governmental authority, or (iv) if a banking moratorium has been declared by either Federal or New York authorities.

(b) LIABILITIES. If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Sections 1, 6, 7 and 8 shall survive such termination and remain in full force and effect.

SECTION 10. DEFAULT BY ONE OR MORE OF THE UNDERWRITERS. If one or more of the Underwriters shall fail at Closing Time or a Date of Delivery to purchase the Securities which it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the Representatives shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the Representatives shall not have completed such arrangements within such 24-hour period, then:

(a) if the number of Defaulted Securities does not exceed 10% of the number of Securities to be purchased on such date, each of the non-defaulting Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting

Underwriters, or

(b) if the number of Defaulted Securities exceeds 10% of the number of Securities to be purchased on such date, this Agreement or, with respect to any Date of Delivery which occurs after the Closing Time, the obligation of the Underwriters to purchase and of the Company to sell the Option Securities to be purchased and sold on such Date of Delivery shall terminate without liability on the part of any non-defaulting Underwriter.

No action taken pursuant to this Section shall relieve any defaulting Underwriter from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement or, in the case of a Date of Delivery which is after the Closing Time, which does not result in a termination of the obligation of the Underwriters to purchase and the Company to sell the relevant Option Securities, as the case may be, either (i) the Representatives or (ii) the Company and any Selling Shareholder shall have the right to postpone Closing Time or the relevant Date of Delivery, as the case may be, for a period not exceeding seven days in order to effect any required changes in the Registration Statement or Prospectus or in any other documents or arrangements. As used herein, the term "Underwriter" includes any person substituted for an Underwriter under this Section 10.

SECTION 11. DEFAULT BY ONE OR MORE OF THE SELLING SHAREHOLDERS OR THE COMPANY.

(a) If a Selling Shareholder shall fail at Closing Time or at a Date of Delivery to sell and deliver the number of Securities which such Selling Shareholder or Selling Shareholders are obligated to sell hereunder, and the remaining Selling Shareholders do not exercise the right

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hereby granted to increase, pro rata or otherwise, the number of Securities to be sold by them hereunder to the total number to be sold by all Selling Shareholders as set forth in Schedule B hereto, then the Underwriters may, at option of the Representatives, by notice from the Representatives to the Company and the non-defaulting Selling Shareholders, either (a) terminate this Agreement without any liability on the fault of any non-defaulting party except that the provisions of Sections 1, 4, 6, 7 and 8 shall remain in full force and effect or (b) elect to purchase the Securities which the non-defaulting Selling Shareholders and the Company have agreed to sell hereunder. No action taken pursuant to this Section 11 shall relieve any Selling Shareholder so defaulting from liability, if any, in respect of such default.

In the event of a default by any Selling Shareholder as referred to in this Section 11, each of the Representatives, the Company and the non-defaulting Selling Shareholders shall have the right to postpone Closing Time or Date of Delivery for a period not exceeding seven days in order to effect any required change in the Registration Statement or Prospectus or in any other documents or arrangements.

(b) If the Company shall fail at Closing Time or at the Date of Delivery to sell the number of Securities that it is obligated to sell hereunder, then this Agreement shall terminate without any liability on the part of any nondefaulting party; provided, however, that the provisions of Sections 1, 4, 6, 7 and 8 shall remain in full force and effect. No action taken pursuant to this Section shall relieve the Company from liability, if any, in respect of such default.

SECTION 12. NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to the Representatives at 10877 Wilshire Boulevard, Suite 1900, Los Angeles, CA 90024, attention of Robert Powers; notices to the Company and the Selling Shareholders shall be directed to them at 11419 Sunset Hill Road, Reston, VA 20190, attention of David V. Mastran.

SECTION 13. PARTIES. This Agreement shall each inure to the benefit of and be binding upon the Underwriters, the Company and the Selling Shareholders and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the Underwriters, the Company and the Selling Shareholders and their respective successors and the controlling persons and officers and directors referred to in Sections 6 and 7 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Underwriters, the Company and the Selling Shareholders and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Securities from any Underwriter shall be deemed to be a successor by reason merely of such purchase.

SECTION 14. WAIVER OF IMMUNITIES. To the extent that each Selling Shareholder or any of his or her properties, assets or revenues may have or may hereafter become entitled to, or have attributed to any Selling Shareholder, any right of immunity, on the grounds of sovereignty

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or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any such legal action, suit or proceeding, from setoff or counterclaim, from the jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution of judgment, or from execution of judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any jurisdiction in which proceedings may at any time be commenced, with respect to the obligations and liabilities of such Selling Shareholder, or any other matter under or arising out of or in connection with this Agreement, each Selling Shareholder hereby irrevocably and unconditionally waives, and agrees not to plead or claim, any such immunity and consents to such relief and enforcement.

SECTION 15. SELLING SHAREHOLDERS' CONSENT TO JURISDICTION; APPOINTMENT OF AGENT FOR SERVICE OF PROCESS.

(a) Each Selling Shareholder, by the execution and delivery of this Agreement, agrees that service of process may be made upon CT Corporation System, 111 Eighth Avenue, New York, NY, 10011 (or its successors as agent for service of process), in the County, City and State of New York, United States of America in any suit or proceeding against such Selling Shareholder instituted by any Underwriter or by any person controlling any Underwriter based on or arising under this Agreement in any federal or state court in the State of New York, County of New York, and hereby irrevocably consents and submits to the nonexclusive jurisdiction of any such court IN PERSONAM generally and unconditionally in respect of any such suit or proceeding.

(b) Each Selling Shareholder further, by the execution and delivery of this Agreement, for a period ending on the sixth anniversary of the Closing Date irrevocably agrees to designate, appoint and empower CT Corporation System, 111 Eighth Avenue, New York, NY, 10011, as its designee, appointee and authorized agent to receive for and on his or her behalf service of any and all legal process, summons, notices and documents that may be served in any action, suit or proceeding brought against such Selling Shareholder with respect to his or her obligations, liabilities or any other matter arising out of or in connection with this Agreement and that may be made on such designee, appointee and authorized agent in accordance with legal procedures prescribed for such courts, and it being understood that the designation and appointment of CT Corporation System as such authorized agent shall become effective immediately without any further action on the part of such Selling Shareholder. Each Selling Shareholder represents to each Underwriter that it has notified CT Corporation System of such designation and appointment and that CT Corporation System has accepted the same. Each Selling Shareholder further agrees that, to the extent permitted by law, service of process upon CT Corporation System (or its successors as agent for service of process) and written notice of said service to such Selling Shareholder pursuant to Section 12, shall be deemed in every respect effective service of process upon such Selling Shareholder in any such suit or proceeding. If for any reason such designee, appointee and agent hereunder shall cease to be available to act as such, each Selling Shareholder agrees to designate a new designee, appointee and agent in The City and County of New York, New York on the terms and for the purposes of this Section 15 reasonably satisfactory to the Representatives. Each Selling Shareholder further hereby irrevocably consents and agrees to accept the service of any and all legal process, summons, notices and documents in any such action, suit or proceeding against such Selling Shareholder if service of a copy thereof is made upon the relevant agent for service of process referred to in this

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Section 15 (whether or not the appointment of such agent shall for any reason prove to be ineffective or such agent shall accept or acknowledge such service) and copies thereof are mailed by registered or certified air mail, postage prepaid, by the Underwriters and other persons referred to in Section 12 to such Selling Shareholder at its address specified in or designated pursuant to this Agreement. So long as proper mail service is accorded such Selling Shareholder, he or she agrees that the failure of any such designee, appointee and agent to give any notice of such service to him or her shall not impair or affect in any way the validity of such service or any judgment rendered in any action or proceeding based thereon. Nothing herein shall in any way be deemed to limit the ability of the Underwriters and the other persons referred to in Section 12 to serve any such legal process, summons, notices and documents in any other manner permitted by applicable law or to obtain jurisdiction over any Selling Shareholder or bring actions, suits or proceedings against any Selling Shareholder in such other jurisdictions, and in such manner, as may be permitted by applicable law. Each Selling Shareholder hereby irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of venue of any of the aforesaid actions, suits or proceedings arising out of or in connection with this Agreement brought in the federal courts located in The City and County of New

York, New York or the courts of the State of New York located in The City and County of New York, New York and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

(c) The provisions of this Section 15 shall survive any termination of this Agreement, in whole or in part.

SECTION 16. GOVERNING LAW AND TIME. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME.

SECTION 17. EFFECT OF HEADINGS. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

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If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company and the Attorneys-in-Fact for the Selling Shareholders a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the Underwriters, the Company and the Selling Shareholders in accordance with its terms.

Very truly yours,

MAXIMUS, INC.

By

-----

Name:  
Title:

[NAME]

By

-----

As Attorney-in-Fact acting on behalf of the Selling Shareholders named in Schedule B hereto

CONFIRMED AND ACCEPTED,  
as of the date first above written:

MERRILL LYNCH & CO.  
MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED  
BEAR, STEARNS & Co. INCORPORATED  
LEGG MASON WOOD WALKER, INCORPORATED  
ADAMS HARKNESS & HILL, INC.  
BB&T CAPITAL MARKETS, A DIVISION OF SCOTT & STRINGFELLOW, INC.

By: MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED

By -----

Authorized Signatory

For themselves and as Representatives of the other Underwriters named in Schedule A hereto.

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SCHEDULE A

<TABLE> <CAPTION> NAME OF UNDERWRITER	NUMBER OF INITIAL SECURITIES <C>
<S> Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	
Bear, Stearns & Co. Inc.....	
Legg Mason Wood Walker, Incorporated.....	
Adams Harkness & Hill, Inc.....	
BB&T Capital Markets, a Division of Scott & Stringfellow, Inc.....	
Total.....	----- 3,500,000 =====

</TABLE>



Sch. A-1

SCHEDULE B

<TABLE>  
<CAPTION>

<S>	NUMBER OF INITIAL SECURITIES TO BE SOLD <C>	MAXIMUM NUMBER OF OPTION SECURITIES TO BE SOLD <C>
MAXIMUS, INC.	1,000,000	315,000
David A. Mastran	1,302,697	210,000
Raymond, D. Ruddy	868,466	
Lynn P. Davenport	108,937	
Susan D. Pepin	89,297	
Russell A. Beliveau	77,576	
Thomas A. Grissen	53,027	
Total.....	----- 3,500,000 =====	----- 525,000 =====

</TABLE>

Sch. B-1

SCHEDULE C

MAXIMUS, INC.  
3,500,000 Shares of Common Stock  
(no par value per share)

1. The public offering price per share for the Securities, determined as provided in said Section 2, shall be \$0.
2. The purchase price per share for the Securities to be paid by the several Underwriters shall be \$0, being an amount equal to the public offering price set forth above less \$0 per share; provided that the purchase price per share for any Option Securities purchased upon the exercise of the over-allotment option described in Section 2(b) shall be reduced by an amount per share equal to any dividends or distributions declared by the Company and payable on the Initial Securities but not payable on the Option Securities.

Sch. C-1

[SCHEDULE D]

[List of subsidiaries]

Sch. D-1

SCHEDULE E

List of persons and entities subject to lock up

- David V. Mastran
- Raymond B. Ruddy
- Russell A. Beliveau
- Richard L. Bradley
- Lynn P. Davenport
- David R. Francis

Thomas A. Grissen

David A. Hogan

F. Arthur Nerret

Jesse Brown

Peter B. Pond

James R. Thompson, Jr.

Susan D. Pepin

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CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the reference to our firm under the captions "SELECTED FINANCIAL DATA" and "EXPERTS" and to the use of our report dated November 16, 2000, except for Note 13 as to which the date is May 15, 2001, included in the Registration Statement on Form S-3 and related Prospectus of MAXIMUS, Inc. for the registration of 4,025,000 shares of its common stock.

/s/ ERNST & YOUNG LLP

McLean, Virginia  
May 31, 2001