AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 28, 1997

REGISTRATION NO. 333-21611

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

VIRGINIA	8322	54-1000588
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

1356 BEVERLY ROAD
MCLEAN, VIRGINIA 22101
(703) 734-4200
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

DAVID V. MASTRAN

CHIEF EXECUTIVE OFFICER
MAXIMUS, INC.
1356 BEVERLY ROAD
MCLEAN, VIRGINIA 22101
(703) 734-4200
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

LYNNETTE C. FALLON, ESQ.	ROBERT F. WALL, ESQ.
PALMER & DODGE LLP	WINSTON & STRAWN
ONE BEACON STREET	35 WEST WACKER DRIVE
BOSTON, MASSACHUSETTS 02108-3190	CHICAGO, ILLINOIS 60601-9703
(617) 573-0100	(312) 558-5600

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

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, 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, check the following box and list the Securities Act registration 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 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, 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 SECTION 8(a), MAY DETERMINE.

==

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES
IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED MARCH 28, 1997

PROSPECTUS
, 1997

4,400,000 SHARES

[MAXIMUS LOGO]

COMMON STOCK

Of the 4,400,000 shares of Common Stock offered hereby, 2,700,000 are being sold by MAXIMUS, Inc. ("MAXIMUS" or the "Company") and 1,700,000 are being sold by the Selling Shareholders. See "Principal and Selling Shareholders." The Company will not receive any of the proceeds from the sale of shares by the Selling Shareholders.

Prior to this offering, there has been no public market for the Common Stock of the Company. It is currently estimated that the initial public offering price will be between $13.00 and $15.00 per share. See "Underwriting" for information relating to the factors to be considered in determining the initial public offering price.

The Company is applying to list the shares of Common Stock on the New York Stock Exchange and has received clearance to file an Original Listing Application.

SEE "RISK FACTORS" BEGINNING ON PAGE 6 FOR INFORMATION THAT SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS.
ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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<TABLE>
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	PRICE TO THE PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS TO THE COMPANY(2)	PROCEEDS TO THE SELLING SHAREHOLDERS
<S>	<C>	<C>	<C>	<C>
Per Share.............	$	$	$	$

Total(3).............	$	$	$	$

</TABLE>

(1) See "Underwriting" for indemnification arrangements with the Underwriters.

(2) Before deducting expenses estimated at $870,000, which will be paid by the Company.

(3) Certain Selling Shareholders have granted to the Underwriters a 30-day option to purchase up to 660,000 additional shares of Common Stock at the Price to the Public, less Underwriting Discounts and Commissions, solely to cover over-allotments, if any. If such option is exercised in full, the total Price to the Public, Underwriting Discounts and Commissions, Proceeds to the Company and Proceeds to the Selling Shareholders will be $, $, $ and $, respectively. The Company will not receive any of the proceeds from the sale of shares of Common Stock by the Selling Shareholders pursuant to the Underwriters' over-allotment option, if exercised. See "Underwriting" and "Principal and Selling Shareholders."

The shares of Common Stock are being offered by the several Underwriters when, as and if delivered to and accepted by the Underwriters and subject to various prior conditions, including their right to reject orders in whole or in part. It is expected that delivery of the share certificates will be made in New York, New York, on or about , 1997.

DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION LEHMAN BROTHERS

'[Diagram: Organizational Chart depicting the Company's operating divisions.]

This Prospectus contains certain forward-looking statements that involve substantial risks and uncertainties. When used in this Prospectus, the words "anticipate," "believe," "estimate," "expect" and similar expressions as they relate to the Company or its management are intended to identify such forward-looking statements. The Company's actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Factors that could cause or contribute to such differences include those discussed in "Risk Factors."

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK, INCLUDING SYNDICATE SHORT COVERING TRANSACTIONS OR THE IMPOSITION OF PENALTY BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by reference to, and should be read in conjunction with, the more detailed information and the Financial Statements and related Notes thereto appearing elsewhere in this Prospectus. Unless otherwise indicated, all information contained in this Prospectus: (i) assumes that the Underwriters' over-allotment option is not exercised; (ii) has been adjusted to give effect to a 10-for-1 split of the shares of the Company's Common Stock, no par value per share (the "Common Stock"), in December 1995; and (iii) has been adjusted to give effect to an 11-for-1 split of the shares of the Company's Common Stock in February 1997.

THE COMPANY

MAXIMUS, Inc. ("MAXIMUS" or the "Company") is a leading provider of program management and consulting services to government health and human services agencies in the United States. Since 1975, the Company has been at the forefront of innovation in "Helping Government Serve the People(TM)." The Company's services are designed to make government operations more efficient and cost effective while improving the quality of the services provided to program beneficiaries. The Company applies an entrepreneurial, private sector approach incorporating advanced technology in large scale projects in almost every state in the nation. The Company's leading position in the emerging private sector health and human services industry is reflected by its continued success in being awarded competitively bid contracts by government health and human services agencies and a corresponding growth in its annual revenues from approximately $19 million in fiscal 1990 to over $100 million in fiscal 1996.

Federal, state and local government agencies in the United States spend over $200 billion annually on the health and human services programs for which the Company markets its services, including welfare, child care, child support enforcement, food stamps, Social Security Disability Insurance, Supplemental Security Income and Medicaid. These entitlement programs cost an estimated $21.0

billion in annual administrative costs. Public pressure to reduce costs and increase the efficiency and effectiveness of government-provided services has led to intense scrutiny of government spending, including the costs of administering health and human services programs. There has been a recent surge in initiatives and legislation to reform federal, state and local welfare and health services systems, the most significant of which is the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (the "Welfare Reform Act"), a comprehensive bipartisan welfare reform plan that legislated dramatic changes in the nation's welfare system. As a result of these initiatives, states have significantly more incentive to seek efficient and cost-effective ways to administer their health and human services programs and reduce welfare caseloads. The Company believes that these fundamental changes in the nation's entitlement programs will generate significant business opportunities for companies similar to MAXIMUS that are positioned to assist health and human services agencies in operating their programs more cost-effectively.

MAXIMUS conducts its operations through two groups, the Government Operations Group and the Consulting Group. The Government Operations Group administers and manages government health and human services programs, including welfare-to-work and job readiness, child support enforcement, managed care enrollment and disability services. The Consulting Group provides health and human services planning, information technology consulting, strategic program evaluation, program improvement, communications planning and revenue maximization services.

The Company believes that it possesses several business strengths that provide a competitive advantage, including: (i) Vertical Market Focus resulting in a thorough understanding of the regulations and operations of government health and human services programs; (ii) Proven Track Record established by more than 20 years of providing successful government program management and consulting services; (iii) Wide Range of Services that meets the increasing demands of government clients for integrated vendor offerings; (iv) Proprietary Case Management Software Program, known as MAXSTAR, that reduces project implementation time and cost; and (v) Experienced Team of Professionals who thoroughly understand the marketing, assessment and delivery of services to government health and human services agencies.

The Company's goal is to become the nation's leading provider of program management and consulting services to government health and human services agencies. To achieve this goal, the Company intends to: (i) capitalize on the reform of government entitlement programs; (ii) aggressively pursue new business opportunities; (iii) recruit experienced professionals possessing the skills, innovation and relationships necessary to provide high quality program management and consulting services; and (iv) pursue strategic acquisitions to provide fast, cost-effective increases in service capacity to maintain the Company's position as a market leader. There can be no assurance that the Company will be successful in implementing any or all of its strategies or in achieving its goal.

MAXIMUS was incorporated in Virginia in September 1975. The Company's principal executive offices are located at 1356 Beverly Road, McLean, Virginia 22101. The Company's World Wide Web address is http://www.maxinc.com. The Company's Web site is not part of this Prospectus. The Company's telephone number is (703) 734-4200.

RISK FACTORS

Investment in the shares of Common Stock offered hereby involves certain risks that should be considered by prospective purchasers of the Common Stock. The principal risk factors associated with an investment in the shares of the Company's Common Stock include: (i) the Company's reliance on government clients; (ii) risks associated with government contracts; (iii) potential financial impacts of project costs and expenses and contract management challenges; and (iv) potential legislative change. These and other risk factors to be considered by prospective investors are described in greater detail elsewhere in this Prospectus. See "Risk Factors" beginning on page 6.

THE OFFERING

<TABLE>

<S>	<C>
Common Stock offered by the Company..............	2,700,000 shares

Common Stock offered by the Selling Shareholders	1,700,000 shares
Common Stock to be outstanding after the offering	13,809,945 shares(1)
Use of proceeds	Payment of undistributed S corporation earnings, general corporate purposes and working capital, including: (i) expanding existing operations such as opening new offices, acquiring related businesses and expanding the Company's international operations; and (ii) investing in systems infrastructure and new technologies. See "Use of Proceeds."

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(1) Excludes: (i) 1,000,000 shares of Common Stock reserved for issuance upon exercise of options granted under the Company's 1997 Equity Incentive Plan, pursuant to which options to purchase 403,975 shares were outstanding as of the date of this Prospectus; (ii) 100,000 shares of Common Stock reserved for issuance upon exercise of options granted under the Company's 1997 Director Stock Option Plan, none of which had been granted as of the date of this Prospectus; and (iii) 500,000 shares of Common Stock issuable under the Company's 1997 Employee Stock Purchase Plan, none of which had been issued as of the date of this Prospectus. See "Management -- 1997 Director Stock Option Plan" and " -- Stock Plans."

SUMMARY FINANCIAL DATA

<TABLE>
<CAPTION>

	YEARS ENDED SEPTEMBER 30,					THREE MONTHS ENDED DECEMBER 31,	
	1992	1993	1994	1995	1996	1995	1996
	(IN THOUSANDS, EXCEPT PER SHARE DATA)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF INCOME DATA:							
Revenues:							
Government Operations Group(1)	$23,749	$18,071	$11,779	$16,951	$ 20,681	$ 4,102	$ 8,029
Consulting Group	9,400	12,522	15,138	20,698	25,902	5,152	6,704
SSA Contract(2)	--	--	2,943	14,314	56,530	7,446	22,511
Total revenues	33,149	30,593	29,860	51,963	103,113	16,700	37,244
Gross profit	14,554	15,205	8,144	15,892	24,684	4,673	7,710
Income from operations	4,897	5,027	1,165	6,814	11,580	1,931	3,671
Net income(3)	5,121	4,993	1,250	6,859	11,619	1,944	3,698
Pro forma net income(4)					7,106		2,253
Pro forma net income per share(4)					$ 0.59		$ 0.19
Shares used in computing pro forma net income per share(5)					12,105		12,140

</TABLE>

<TABLE>
<CAPTION>

	AS OF DECEMBER 31, 1996		
	ACTUAL	PRO FORMA(6)	AS ADJUSTED(7)
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
BALANCE SHEET DATA:			
Cash and cash equivalents and short-term investments	$ 5,171	$ 5,171	$ 35,955
Working capital	26,355	8,152	42,436
Total assets	43,856	43,856	74,640
Redeemable common stock	18,790	--	--
Total shareholders' equity	10,862	6,865	41,149

</TABLE>

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(1) In fiscal years 1992 and 1993, the Company's Government Operations Group had revenues of $11.4 million and $10.4 million, respectively, related to a significant contract that expired in July 1993. No further revenues were received under this contract after its expiration.

(2) Represents revenues under a significant contract with the federal Social Security Administration, which terminated pursuant to legislative action and under which no revenues will be received after February 28, 1997. See "Risk Factors -- Legislative Change," "-- Variability of Quarterly Operating Results" and "Management's Discussion and Analysis of Financial Condition

and Results of Operations."

(3) For all periods shown, the Company elected to be treated as an S corporation and, as a result, the income of the Company has been taxed for federal and most state purposes directly to the Company's shareholders rather than to the Company.

(4) Pro forma net income and pro forma net income per share reflect federal and state income taxes (assuming a 40% combined effective tax rate) as if the Company had been taxed as a C corporation for the periods presented. Pro forma net income does not reflect two significant charges that the Company will record in the quarter in which the offering is consummated: (i) a charge for income tax expense representing the cumulative deferred tax liability (estimated to be $5.3 million as of December 31, 1996) resulting from the termination of the Company's S corporation status; and (ii) a compensation charge, estimated at $5.1 million, related to the grant to employees on January 31, 1997 of options for an aggregate of 403,975 shares of Common Stock. The estimated compensation expense represents the difference between the assumed initial public offering price of $14.00 per share and the option exercise price of $1.46 per share. The option exercise price is based on the book value of the Common Stock at September 30, 1996, and was established pursuant to pre-existing compensation arrangements with certain of the Company's key employees. See "Management -- Executive Compensation," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 3 of Notes to Financial Statements.

(5) Assumes 12,105,000 and 12,140,000 shares were issued and outstanding during the year ended September 30, 1996 and the three months ended December 31, 1996, respectively. Such amounts consist of 11,418,000 and 11,453,000 weighted average shares outstanding for the respective periods, the shares issuable upon the exercise of options granted in January 1997, and the shares necessary to replace equity to be distributed as a result of the S Corporation Dividend. See "S Corporation Dividend," "Management -- Executive Compensation" and Note 3 of Notes to Financial Statements.

(6) Reflects the S Corporation Dividend to be paid to the shareholders, a reclassification of redeemable common stock to reflect elimination of the Company's obligation to purchase its Common Stock from shareholders and the net deferred tax liability that would have been recorded by the Company if its S corporation status was terminated at that date. See "S Corporation Dividend," "Capitalization" and Note 3 of Notes to Financial Statements.

(7) Adjusted to give effect to the sale by the Company of 2,700,000 shares of Common Stock offered by the Company (at an assumed initial public offering price of $14.00 per share and after deducting the underwriting discounts and commissions and estimated offering expenses) and the application of the net proceeds therefrom to fund the estimated $3.5 million of net offering proceeds that will be used to pay the portion of the S Corporation Dividend not funded by available cash. See "Use of Proceeds" and "Capitalization."

RISK FACTORS

In addition to the other information contained in this Prospectus, investors should consider carefully the following factors in connection with an investment in the shares of Common Stock offered hereby.

RELIANCE ON GOVERNMENT CLIENTS

Substantially all of the Company's clients are federal, state or local government authorities. Effective marketing of the Company's services to government clients requires the ability to respond to government requests for proposals ("RFPs"). To succeed in the RFP process, the Company must estimate its cost structure for servicing the proposed contract, the time required to establish operations and the likely terms of the proposals submitted by competitors. The Company must assemble and submit a large volume of information on a rigid timetable set forth in the RFP. The Company's ability to successfully respond to the RFP process in the future will have an important impact on the Company's business, financial condition and results of operations. No assurance can be given that the Company will be awarded contracts through the RFP process.

RISKS ASSOCIATED WITH GOVERNMENT CONTRACTING

Contracts awarded to the Company typically contain provisions that permit

the government client to terminate the contract on short notice, with or without cause. The expiration of large contracts presents additional management challenges. Many contracts 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. Government agencies generally have the right not to exercise option periods and the failure to exercise such option periods could impact the profitability of certain of the Company's contracts. While the Company has experienced a limited number of early terminations since inception, the unexpected termination of one or more of the Company's more significant contracts could result in severe revenue shortfalls which, without corresponding reductions in expenses, could adversely affect the business, financial condition and results of operations of the Company. There can be no assurance that such government authorities will not terminate any or all of the Company's contracts to administer and manage health and human services programs.

In order to establish and maintain relationships with members of government agencies, the Company occasionally engages marketing consultants, including lobbyists. In the event of a significant political change, such consultants may lose their ability to effectively assist the Company. In addition, the implementation of term limits on certain elected officials will require the Company to confront political change on a regular basis. If the Company fails to manage its relationships effectively with political consultants, its business, financial condition and results of operations could materially and adversely be affected. No assurance can be given that the Company will be successful in managing such relationships.

To avoid experiencing higher than anticipated demands for federal funds, federal government officials on occasion advise state and local authorities not to engage private consultants to advise on maximizing federal revenues. There can be no assurance that state and local officials will not be influenced by federal government officials and, therefore, not engage the Company for such services. To the extent that state and local officials determine not to seek the Company's services, the business, financial condition and results of operations of the Company could be adversely affected.

Government contracts generally are subject to audits and investigations by government agencies, including audits by the Defense Contract Audit Agency ("DCAA"). These audits and investigations involve a review of the government contractor's performance of its contracts as well as its pricing practices, cost structure and compliance with applicable laws, regulations and standards. A substantial portion of payments to the Company from U.S. Government agencies is subject to adjustment upon audit by the DCAA. Audits through 1993 have been completed with no material adjustments and the Company believes that adjustments resulting from audits of subsequent years will not have a material adverse effect on the Company's business, financial condition and results of operations. If any costs are improperly allocated to a contract, such costs are not reimbursable and, if already reimbursed, will be required to be refunded to the government. Furthermore, if improper or illegal activities are discovered in the course of any audits or investigations, the contractor may

be subject to various 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. If the Company becomes subject to penalties or sanctions, such penalties or sanctions could have a material adverse effect on the Company's business, financial condition and results of operations.

RISKS INVOLVED IN MANAGING GOVERNMENT PROJECTS

Upon the receipt of a contract for the management of a health and human services program, the Company's Government Operations Group may incur significant start-up expenses prior to the receipt of any payments under such contract. Such expenses include the costs of leasing office space, purchasing necessary office equipment and hiring sufficient personnel. As a result, for large contracts, the Company may be required to make significant investments prior to the receipt of related contract payments.

Approximately 23% (51% after excluding a significant contract with the Social Security Administration) of the Company's total revenues for the year ended September 30, 1996 resulted from fixed-price contracts pursuant to which the Company received its fee for meeting specified objectives or upon the achievement of specified units of work, such as the placement of welfare recipients into jobs, the collection of child support payments or the completion of managed care enrollment transfers. The Company's ability to earn a profit on these contracts is dependent upon accurate estimates of the costs involved as well as the probability of meeting the specified objectives or realizing the expected units of work within a certain period of time. In addition, the Company recognizes revenues on fixed price contracts based on costs incurred. The

Company periodically reviews such contracts and adjusts revenues to reflect current expectations. Such adjustments will affect the timing and amount of revenue recognized and could have a material adverse effect on the Company's business, financial condition and results of operations. The Company's failure to accurately estimate the factors on which contract pricing is based could result in the Company reporting a decrease in revenues or incurring losses on such contracts and could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's inability or failure to satisfy its contractual obligations in a manner consistent with the terms of any contract could have a material adverse effect on the Company's financial condition because the Company is often required to indemnify clients for its failure to meet performance standards. Certain of the Company's contracts have liquidated damages provisions and financial penalties related to performance failures. In addition, in order for the Company's Government Operations Group to bid for certain contracts, the Company has been and will continue to be required to secure its indemnification obligations by obtaining a performance bond from an insurer, posting a cash performance bond or obtaining a letter of credit from a suitable financial institution. In the event that a government entity makes a claim against such performance bond or letter of credit, the premiums demanded by the insurers for such bonds could increase, thereby limiting the Company's ability to bid for contracts in the future. In addition, the Company's failure to meet a client's expectations in the performance of its contractual obligations could have a material adverse effect on the Company's reputation, thereby adversely affecting its business, financial condition and results of operations.

When contracts between the Company's Government Operations Group and a state or local government expire or otherwise terminate, unless the Company can successfully enter into a new contract using the services of employees formerly engaged in servicing the terminated contract or otherwise re-assign such employees, the Company will need to terminate the employment of such employees. The termination of large Government Operations Group contracts and the subsequent re-assignment or termination of employees places significant demands on the Company's management and its administrative resources. If the Company is unable to manage these challenges, the Company's business could materially and adversely be affected.

LEGISLATIVE CHANGE

The market for the Company's services is largely dependent on federal and state legislative programs, any of which may be modified or terminated by acts of the legislative or executive branches of federal and state government. There can be no assurance that such legislative change will not occur or that the Company will be able to anticipate and respond in a timely manner to any such legislative change. The Company's failure to

manage effectively its business in light of anticipated or unanticipated legislative change could have a material adverse effect on the Company's business, operating results and financial condition.

The Welfare Reform Act is expected to be a catalyst for sweeping changes in the administration and management of the welfare system in the United States. As part of its growth strategy, the Company plans to aggressively pursue the opportunities created by this legislation by seeking new contracts to administer and manage health and human services programs of state and local government agencies. However, opponents of welfare reform continue to criticize the advances made by the current administration and continued progress in the welfare reform area is uncertain. The repeal of the Welfare Reform Act, in whole or in part, could have a material adverse effect on the future business, financial condition and results of operations of the Company. There can be no assurance that additional reforms will be proposed or enacted, or that previously enacted reforms will not be challenged, repealed or otherwise invalidated.

The adverse impact that legislative changes can have on the Company was recently evidenced by the termination of a significant contract with the federal Social Security Administration. This contract related to the referral and treatment monitoring of social security or supplemental income beneficiaries with drug or alcohol-related disabilities (the "SSA Contract"). In its fiscal year ended September 30, 1996, the Company received revenues of $56.5 million from the SSA Contract, representing approximately 55% of the Company's total revenues for such fiscal year. In October 1996, the President signed into law an amendment to the Social Security Act of 1935, effective January 1, 1997, that eliminated social security and supplemental income benefits based solely on drug and alcohol disabilities. As a result of this amendment, the SSA Contract was terminated and no further revenues will be received thereunder after February 28, 1997.

VARIABILITY OF QUARTERLY OPERATING RESULTS

Variations in the Company's revenues and operating results occur from quarter to quarter as a result of a number of factors, including the progress of contracts, levels of revenues earned on contracts (including any adjustments in expectations on revenue recognition on fixed price contracts), the commencement, completion or termination of contracts during any particular quarter, the schedules of government agencies for awarding contracts, the term of each contract that the Company has been awarded and general economic conditions. Because a significant portion of the Company's 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. Furthermore, the Company has on occasion experienced a pattern in its results of operations in which it incurs greater operating expenses during the start-up and early stages of significant contracts. In addition, the Company's SSA Contract contributed $56.5 million, $14.3 million and $2.9 million to the Company's revenues in fiscal 1996, 1995 and 1994, respectively. The termination of the SSA Contract will significantly reduce the Company's revenue base as compared to previous quarters. No assurance can be given that the Company will be able to generate additional revenues in future periods in amounts sufficient to replace the revenues received under the SSA Contract and as a result, the Company may experience materially lower revenues as compared to prior periods. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Quarterly Results."

During the quarter in which this offering is completed, the Company will recognize two significant charges against income. The completion of this offering will result in the termination of the Company's S corporation status. As a result, the Company will record a one-time income statement charge to operations estimated at $5.3 million based on the deferred tax liabilities as of December 31, 1996. In connection with this offering, on January 31, 1997, certain key employees of the Company surrendered rights to purchase shares of Common Stock of the Company in exchange for options to purchase shares of Common Stock at an exercise price of $1.46 per share. Upon completion of this offering, the Company will recognize a non-cash compensation charge against income equal to the difference between the initial public offering price and the option exercise price for all outstanding options. At an assumed initial public offering price of $14.00 per share, the charge against income is estimated to be $5.1 million. The option exercise price is based on the book value of the Common Stock at September 30, 1996 and was established pursuant to pre-existing compensation arrangements with these employees. As a result of these charges, the Company will report a significant net loss

in the period in which this offering is completed, which is anticipated to be the quarter ended June 30, 1997. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Management -- Executive Compensation."

RELIANCE ON KEY EXECUTIVES

The success of the Company is highly dependent upon the efforts, abilities, business generation and project execution capabilities of certain of its executive officers and senior managers. While the Company has executive employment agreements with each of David V. Mastran, President and Chief Executive Officer of the Company, Raymond B. Ruddy, Chairman of the Board of Directors and President of the Consulting Group, Russell A. Beliveau, President of the Government Operations Group, Ilene R. Baylinson, President of the Disability Services Division, Susan D. Pepin, President of the Systems Planning and Integration Division and Lynn P. Davenport, President of the Human Services Division, such agreements are terminable under certain conditions. Other than these six agreements with executive officers, the Company does not have employment agreements with any other senior employees. The loss of the services of any of these key executives could have a material adverse effect upon the Company's business, financial condition and results of operations, including its ability to secure and complete engagements. The Company maintains key-man life insurance policies on David V. Mastran and Raymond B. Ruddy in the amounts of $10,700,000 and $7,250,000, respectively, with proceeds payable to the Company. See "Management."

ATTRACTION AND RETENTION OF EMPLOYEES

The Company's business involves the delivery of professional services and is labor-intensive. When the Company's Government Operations Group is awarded a contract by a government agency, the Company is often under a tight timetable to hire project leaders and case management personnel to meet the needs of the new project. In addition, the resulting large increases in the number of the Company's employees create demand for increased administrative personnel at the Company's headquarters. The Company's success in both the Government Operations Group and the Consulting Group depends in large part upon its ability to

attract, develop, motivate and retain experienced and innovative executive officers, senior managers who have successfully managed or designed health and human services programs in the public sector and information technology professionals who have designed or implemented complex information technology projects. Such innovative, experienced and technically proficient individuals are in great demand and are likely to remain a limited resource for the foreseeable future. There can be no assurance that the Company will be able to continue to attract and retain desirable executive officers and senior managers in the future. The inability to hire sufficient personnel on a timely basis or the loss of a significant number of executive officers and senior managers could have a material adverse effect on the Company's business, financial condition and results of operations, including its ability to obtain and successfully complete service contracts. See "Business -- Human Resources."

CHALLENGES RESULTING FROM GROWTH

The Company's continued growth has placed significant demands on the Company's management as well as its administrative, operational and financial resources. The Company's ability to manage its growth will require the Company to continue to implement new and to improve existing operational, financial and management information systems and to continue to expand, motivate and manage its workforce. In addition, the Company's growth will depend in large part on its ability to manage large-scale health and human services programs while continuing to ensure quality service and reasonable profits. If the Company is unable to manage effectively any of these factors, the quality of the Company's services, its financial condition and results of operations could be materially and adversely affected. No assurance can be given that the Company will continue to experience growth or that the Company will be successful in managing its growth, if any.

COMPETITORS; EFFECTS OF COMPETITION

The market for certain program management and consulting services to state and local health and human services agencies is becoming more competitive and is subject to rapid change while the market for certain

other services is not yet competitive. The Company's Government Operations Group competes for program management contracts with local non-profit organizations such as the United Way and Goodwill Industries, government services divisions of large organizations such as Andersen Consulting, Lockheed Martin Corp. and Electronic Data Systems, Inc., managed care enrollment companies such as Foundation Health Corporation and specialized service providers such as America Works, Inc., Policy Studies Incorporated and GC Services, Inc. The Company's Consulting Group competes with the consulting divisions of the "Big 6" accounting firms as well as Electronic Data Systems, Inc. Many of these companies are national and international in scope and have greater financial, technical, marketing and personnel resources than the Company. The significant financial resources of certain competitors could lead to severe price cutting in an effort to secure market share, which could adversely affect the Company's business, financial condition and results of operations. There can be no assurance that the Company will compete successfully against its existing competitors or against new competitors, if any. See "Business -- Competition."

In addition to competition from existing competitors, the Company may experience future competition from its former employees. Although the Company has entered into non-competition agreements with certain senior level employees, there can be no assurance that such contracts will be enforceable or that departing employees not subject to non-competition agreements will not seek to exploit their personal relationships with government officials by competing against the Company. Any such competition by former employees could have a material adverse effect on the Company.

OPPOSITION FROM GOVERNMENT UNIONS

The Company's success depends in part on its ability to obtain contracts to profitably administer and manage health and human services programs that traditionally have been administered and managed by government employees. Many of these government employees are members of labor unions which have considerable financial resources and established lobbying networks that are effective in applying political pressure to legislators and other government officials who seek to contract with private companies to administer and manage government programs. Successful efforts to oppose private management of government programs by these unions may slow welfare reform and ultimately result in fewer opportunities for the Company to provide services to government agencies, thereby adversely affecting the business, financial condition and results of operations of the Company. There can be no assurance that these unions will not succeed in whole or in part in their efforts to oppose the

outsourcing of government programs.

ADVERSE PUBLICITY

The Company has received and expects to continue to receive media attention as a result of its contracts with state and local government authorities. In particular, the management of health and human services programs by the Company's Government Operations Group and the establishment of revenue maximization programs by the Company's Consulting Group have been the subject of highly controversial media coverage. Negative coverage of the types of program management services provided by the Company could influence government officials and slow the pace of welfare reform, thereby reducing the Company's growth prospects. In addition to media attention arising out of the types of services provided by the Company, the Company is also vulnerable to media attention as a result of the activities of political consultants engaged by the Company, even when such activities are unrelated to the Company. Such an event occurred in connection with a marketing representative hired by the Company to assist in responding to an RFP promulgated by the State of West Virginia. After learning that the marketing representative was also a state employee, the Company voluntarily withdrew from the bidding. Certain media coverage relating to this incident was inaccurate and incorrectly suggested wrongdoing by the Company. The Company has become aware that certain of its competitors have sought to exploit such suggestions in connection with other competitive-bidding situations. There can be no assurance that the Company will not receive adverse media attention as the result of activities of individuals not under the Company's control. In addition, there can be no assurance that media attention focused on the Company will be accurate or that the Company will be able to anticipate and respond in a timely manner to all media contacts. Inaccurate or misleading media coverage or the Company's failures to manage such coverage could have a material adverse effect on the Company's reputation, thereby adversely affecting its business, financial condition and results of operations.

RISKS RELATED TO POSSIBLE ACQUISITIONS

A part of the Company's growth strategy is to expand its operations through the acquisition of additional businesses. The Company has no prior history of making acquisitions and there can be no assurance that the Company will be able to identify, acquire or profitably manage additional businesses or successfully integrate any acquired businesses into the Company without incurring substantial expenses, delays or other operational or financial problems. Furthermore, acquisitions may involve a number of special risks, including diversion of management's attention, failure to retain key personnel, unanticipated events or circumstances, legal liabilities and amortization of acquired intangible assets, some or all of which could have a material adverse effect on the Company's business, financial condition and results of operations. Client dissatisfaction or performance problems at a single acquired firm could have a material adverse effect on the reputation of the Company as a whole. In addition, there can be no assurance that acquired businesses, if any, will achieve anticipated revenues and earnings. The failure of the Company to manage its acquisition strategy successfully could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business -- Growth Strategy."

UNCERTAINTIES RELATED TO INTERNATIONAL OPERATIONS

While the Company's current international operations are paid in U.S. dollars by the World Bank and the U.S. Agency for International Development, as the Company expands its operations into developing countries it may become subject to a number of risks. International revenues are subject to a number of risks including currency exchange rate fluctuations, collection of receivables and enforcement of contract terms through a foreign country's legal system. Foreign countries could impose additional withholding taxes or otherwise tax the Company's foreign income or impose tariffs. There can be no assurance that any of these factors will not have a material adverse effect on the business, financial condition and results of operations of the Company. See "Business -- Services -- Consulting Group."

LITIGATION

On March 12, 1997, Network Six, Inc. ("Network Six") served MAXIMUS with a First Amended Third-Party Complaint filed in the State of Hawaii Circuit Court of the First Circuit. In this complaint, Network Six named the Company and other parties as third party defendants in an action by the State of Hawaii against Network Six. In 1991, the Company's Consulting Group was engaged by the State of Hawaii to provide assistance in planning for and monitoring the development and implementation by Hawaii of a statewide automated child support system. In 1993, Hawaii contracted with Network Six to provide systems development and implementation services for this project. In 1996 the state terminated the Network Six contract for cause and filed an action against Network Six. Network Six counterclaimed against Hawaii that the state breached its obligations under

the contract with Network Six. In the Third Party Complaint, Network Six alleges that the Company is liable to Network Six on grounds that: (i) Network Six was an intended third party beneficiary under the contract between the Company and Hawaii; (ii) the Company engaged in bad faith conduct and tortiously interfered with the contract and relationship between Network Six and Hawaii; (iii) the Company negligently breached duties to Network Six; and (iv) the Company aided and abetted Hawaii in Hawaii's breach of contract. Network Six's complaint seeks damages, including punitive damages, from the Company in an amount to be proven at trial. The Company believes Network Six may have filed or may in the future file actions in other jurisdictions asserting similar claims against the Company. The Company believes that Network Six was not an intended third party beneficiary under its contract with Hawaii and that Network Six's claims are without merit. The Company does not believe this action will have a material adverse effect on the Company's business and intends to vigorously defend this action. However, given the early stage of this litigation, no assurance may be given that the Company will be successful in its defense.

SIGNIFICANT UNALLOCATED NET PROCEEDS

A substantial portion of the anticipated net proceeds of this offering has not been designated for specific uses. Therefore, the Board of Directors of the Company will have broad discretion with respect to the use of the net proceeds of this offering. See "Use of Proceeds."

CONTROL BY PRINCIPAL SHAREHOLDERS

After completion of this offering, the Company's executive officers will own beneficially 68.4% of the Company's outstanding shares of Common Stock. Certain executive officers who will hold approximately 66.9% of the outstanding shares of Common Stock after giving effect to this offering have agreed with the Company not to dispose of such shares for a period of four years following the closing of this offering subject to certain exceptions. In addition, each of Dr. Mastran and Mr. Ruddy, who will hold together approximately 62.4 % of the outstanding shares of Common Stock of the Company after giving effect to this offering, has agreed to vote his shares in favor of the election of the other to the Board of Directors, as long as each of such shareholders owns or controls 20% of the outstanding Common Stock. Mr. Ruddy has also agreed to vote his shares of Common Stock in a manner consistent with instructions received from Dr. Mastran during the four year period commencing on the closing of this offering. As a result, these officers will continue to be able to control the outcome of matters requiring a shareholder vote, including the election of the members of the Board of Directors, thereby controlling the affairs and management of the Company. Such control could adversely affect the market price of the Common Stock or delay or prevent a change in control of the Company. See "Principal and Selling Shareholders" and "Management -- Agreements with Executives."

BENEFITS OF OFFERING TO SELLING SHAREHOLDERS

The Selling Shareholders will receive substantial proceeds and certain other benefits from their participation in this offering. This offering will establish a public market for the Common Stock and provide significantly increased liquidity to the Selling Shareholders for the shares of Common Stock they will own after this offering. At an assumed initial public offering price of $14.00 per share, after deducting underwriting discounts and commissions, the aggregate proceeds (before deduction of estimated income taxes) as a result of the offering by the Selling Shareholders will be approximately $22.1 million (excluding the S Corporation Dividend). Upon completion of this offering, the Selling Shareholders will own an aggregate of 68.4% of the outstanding Common Stock. See "Use of Proceeds," "Dilution" and "Principal and Selling Stockholders."

NO PRIOR PUBLIC MARKET; POSSIBLE VOLATILITY OF STOCK PRICE

Prior to this offering, there has been no public market for the Common Stock. Consequently, the initial public offering price per share of the Common Stock will be determined by negotiations among management of the Company and the representatives of the Underwriters (the "Representatives"). See "Underwriting" for factors to be considered in determining the initial public offering price per share. Although the Company is applying to list the Common Stock on the New York Stock Exchange, there can be no assurance that an active trading market will develop or be sustained after this offering. The market price of the Common Stock may 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 it has bid, the termination by a government client of a material contract, announcements of new services by competitors, changes in earnings estimates by securities analysts, changes in accounting principles,

sales of Common Stock by existing holders, negative publicity, loss of key personnel and other factors. In addition, the stock market is subject to extreme price and volume fluctuations. This volatility has often had a significant effect on the market prices of securities issued by many companies for reasons unrelated to the operating performance of these companies. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation often has been instituted against such a company. Any such litigation initiated against the Company could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on the Company's business, financial condition and results of operations.

IMMEDIATE AND SUBSTANTIAL DILUTION

The initial public offering price per share of Common Stock is substantially higher than the net tangible book value per share of the Common Stock. Purchasers of shares of Common Stock in this offering will experience immediate and substantial dilution of $11.09 in the pro forma net tangible book value per share of Common Stock. To the extent outstanding options to purchase the Company's Common Stock are exercised, there will be further dilution. See "Dilution."

DIVIDEND POLICY; ABSENCE OF DIVIDENDS

Other than the S Corporation Dividend (see "S Corporation Dividend") and past dividends to cover S corporation taxes payable by shareholders, the Company has rarely paid cash dividends on its capital stock and does not anticipate paying cash dividends in the foreseeable future. The Company currently intends to retain all earnings for the development of its business. See "Dividend Policy."

CERTAIN ANTI-TAKEOVER EFFECTS

The Company's Amended and Restated Articles of Incorporation (the "Restated Articles") and Amended and Restated By-Laws (the "Restated By-Laws"), both to be effected immediately upon the close of this offering, and Virginia law include provisions that may be deemed to have antitakeover effects and may delay, defer or prevent a takeover attempt that shareholders might consider to be in their best interests. Directors of the Company are divided into three classes and are elected to serve staggered three-year terms, the existence of which could render more difficult or discourage an attempt to obtain control of the Company by means of a proxy contest or otherwise. See "Management -- Board of Directors." The ability of the shareholders of the Company to take any action, or to consent to the taking of any action, in each case in writing without a meeting, is specifically denied. See "Description of Capital Stock -- Anti-Takeover Provisions of the Articles of Incorporation." In addition, Virginia law contains provisions that impose certain limitations and special voting requirements on affiliated transactions and deny voting rights, unless granted by shareholder vote, with respect to shares acquired in control share acquisitions. See "Description of Capital Stock -- Anti-Takeover Provisions of Virginia Law."

SHARES ELIGIBLE FOR FUTURE SALE

Immediately after completion of this offering, the Company will have 13,809,945 shares of Common Stock outstanding, of which the 4,400,000 shares sold pursuant to this offering will be freely tradable without restriction or further registration under the Securities Act of 1933, as amended (the "Securities Act"), except those shares acquired by affiliates of the Company. Holders of the remaining shares will be eligible to sell such shares pursuant to Rule 144 under the Securities Act ("Rule 144") at prescribed times and subject to the manner of sale, volume, notice and information restrictions of Rule 144. In addition, 403,975 shares of Common Stock are issuable upon the exercise of outstanding stock options (none of which are currently exercisable and all of which will become exercisable on the closing of this offering), which shares may be registered by the Company under the Securities Act and become freely tradable without restriction. The Company and all of its shareholders (holding in the aggregate 9,733,895 shares of Common Stock upon the closing of this offering, including the 403,975 shares of Common Stock issuable upon exercise of outstanding stock options that become exercisable upon the closing of this offering), have agreed not to offer, sell, contract to sell or otherwise dispose of, directly or indirectly, any shares of Common Stock, or any securities convertible into or exchangeable or exercisable for shares of Common Stock, until 180 days after the date of this Prospectus, without the prior consent of Donaldson, Lufkin & Jenrette Securities Corporation. Certain executive officers of the Company, holding an aggregate of 9,414,545 shares of Common Stock (including 266,750 shares of Common Stock issuable upon the exercise of outstanding stock options that become exercisable upon the closing of this

offering), will have entered into Executive Employment, Non-Compete, Confidentiality and Stock Restriction Agreements pursuant to which each such executive will have agreed with the Company subject to certain exceptions not to sell or otherwise dispose of, directly or indirectly, any shares of Common Stock for a period of four years from the closing of this offering. See "Management -- Agreements with Executives." Because these agreements will be between the Company and each executive officer and may be waived by the Company at any time, investors should not rely on these agreements. Sales of substantial amounts of such shares in the public market or the availability of such shares for future sale could adversely affect the market price of the shares of Common Stock and the Company's ability to raise additional capital at a price favorable to the Company. See "Shares Eligible for Future Sale" and "Underwriting."

USE OF PROCEEDS

The net proceeds to the Company from the sale of the 2,700,000 shares of Common Stock offered by the Company, after deducting underwriting discounts and commissions and estimated offering expenses, are estimated to be $34,284,000, assuming an initial public offering price of $14.00 per share. The Company expects to use a portion of the net proceeds from this offering for the partial payment of undistributed S corporation earnings not funded by available cash, estimated at $3.5 million and the balance of the net proceeds for general corporate purposes, including working capital. While the Company has no specific plans for the balance of the net proceeds, it anticipates that these funds will be used for: (i) expanding existing operations, which may include opening new offices, acquiring related businesses and expanding the Company's international operations; and (ii) investing in systems infrastructure and new technologies. The Company has no present commitments, agreements or understandings and is not presently conducting negotiations with respect to any acquisitions. The Company's management will have broad discretion to allocate proceeds from this offering to uses that it believes are appropriate. Pending such uses, the net proceeds of this offering will be invested in short-term, investment grade, interest-bearing securities. The principal purposes of this offering are to obtain additional working capital, create a public market for the Common Stock, provide liquidity to the Company's shareholders and facilitate future access by the Company to public equity markets. See "Risk Factors -- Significant Unallocated Net Proceeds," "S Corporation Dividend" and "Business -- Growth Strategy."

The Company will not receive any proceeds from the sale of Common Stock by the Selling Shareholders. See "Principal and Selling Shareholders."

S CORPORATION DIVIDEND

Since 1987, the Company has been a corporation subject to taxation under subchapter S of the Internal Revenue Code of 1986, as amended. As a result, substantially all of the Company's net income has been attributed, for income tax purposes, directly to the Company's shareholders rather than to the Company. The Company's S corporation status will terminate in connection with this offering and the Company will make a final distribution to its existing shareholders of undistributed S Corporation earnings, as explained below.

The Company has declared an S corporation dividend to its existing shareholders in an aggregate amount representing all undistributed earnings of the Company taxed or taxable to its shareholders through the closing of this offering payable upon such closing (the "S Corporation Dividend"). The S Corporation Dividend is estimated to be approximately $17.5 million, of which it is estimated that $14.0 million will be funded from available cash and $3.5 million will be funded with a portion of the proceeds from this offering. Purchasers of Common Stock in this offering will not receive any portion of the S Corporation Dividend.

Following termination of its S corporation status, the Company will be subject to income taxation as a C corporation. The termination of the Company's S corporation status will result in the Company recording a liability for deferred income taxes on its balance sheet and a one-time income statement charge of the same amount. Based on differences between income for tax and financial reporting through December 31, 1996, the one-time income statement charge is estimated to be $5.3 million. The deferred tax liability will be recorded in accordance with Statement of Financial Accounting Standards No. 109. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 3 of Notes to Financial Statements.

DIVIDEND POLICY

Following the declaration and payment of the S Corporation Dividend, the Company anticipates that it will retain all of its earnings for development of the Company's business and does not anticipate paying any cash dividends in the

foreseeable future. Future cash dividends, if any, will be paid at the discretion of the Company's Board of Directors and will depend, among other things, upon the Company's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and such other factors as the Board of Directors may deem relevant.

CAPITALIZATION

The following table sets forth, as of December 31, 1996: (i) the actual total capitalization of the Company; (ii) the pro forma total capitalization of the Company after giving effect to the S Corporation Dividend (see "S Corporation Dividend"), the recognition of a net deferred tax liability upon termination of the Company's S corporation status estimated to be $5.3 million, and reclassification of redeemable Common Stock to shareholders' equity as a result of elimination of the Company's obligation to purchase its Common Stock from shareholders; and (iii) the pro forma total capitalization as adjusted for the sale of shares of Common Stock by the Company (at an assumed initial public offering price of $14.00 per share) and the application of the estimated net proceeds therefrom to fund the estimated $3.5 million of net offering proceeds that will be used to pay the portion of the S Corporation Dividend not funded by available cash. See "Use of Proceeds." The following table should be read in conjunction with the Financial Statements and related Notes thereto included elsewhere in this Prospectus.

<TABLE>
<CAPTION>

	AS OF DECEMBER 31, 1996		
	ACTUAL	PRO FORMA (IN THOUSANDS)	AS ADJUSTED
<S>	<C>	<C>	<C>
Cash and cash equivalents and short term investments.....	$ 5,171	$ 5,171	$ 35,955
Redeemable common stock..................................	$18,790	$ --	$--
Shareholders' equity:			
Common stock, no par value; 30,000,000 shares authorized; 11,453,145 shares issued and outstanding, actual and pro forma; 14,153,145 shares issued and outstanding as adjusted.................	--	11,965	46,249
Retained earnings (deficit)...........................	10,862	(5,100)	(5,100)
Total shareholders' equity.........................	10,862	6,865	41,149
Total capitalization.............................	$29,652	$ 6,865	$ 41,149

</TABLE>

DILUTION

The pro forma net tangible book value of the Company as of December 31, 1996 was $6,865,000 or $0.60 per share. Pro forma net tangible book value per share represents the total tangible assets of the Company, less total liabilities, divided by the aggregate number of shares of Common Stock outstanding, after giving effect to: (i) the S Corporation Dividend (see "S Corporation Dividend"); (ii) the recording of deferred income taxes upon termination of the Company's S corporation status; and (iii) the reclassification of redeemable common stock to shareholders' equity, as a result of elimination of the Company's obligation to purchase its Common Stock from shareholders. After giving effect to the sale by the Company of 2,700,000 shares of Common Stock offered hereby (at an assumed initial public offering price of $14.00 per share) and the application of the net proceeds therefrom, the pro forma net tangible book value of the Company as of December 31, 1996 would have been $41,149,000 or $2.91 per share. This represents an immediate increase in the pro forma net tangible book value of $2.31 per share to existing shareholders and an immediate dilution of $11.09 per share to purchasers of Common Stock in this offering. The following table illustrates this per share dilution:

<TABLE>

<S>	<C>	<C>
Assumed initial public offering price..............................		$14.00
Pro forma net tangible book value per share as of December 31, 1996...	$ 0.60	
Increase per share attributable to new investors..................	2.31	

Pro forma net tangible book value per share after this offering......	2.91
Dilution in pro forma net tangible book value per share to new investors...	$11.09

</TABLE>

The following table sets forth, as of December 31, 1996, the differences between existing shareholders and new investors in this offering with respect to the number of shares of Common Stock purchased from the Company, the total consideration paid and the average price paid per share (assuming an initial public offering price of $14.00 per share):

<TABLE>
<CAPTION>

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
<S>	<C>	<C>	<C>	<C>	<C>
Existing shareholders(1)................	11,453,145	80.9%	$ 1,618,746	4.1%	$ 0.14
New investors(1)........................	2,700,000	19.1	37,800,000	95.9	14.00
Total.........................	14,153,145	100.0%	$39,418,746	100.0%	

</TABLE>

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(1) After giving effect to the purchase by the Company of 343,200 shares in January 1997, sales by the Selling Shareholders in this offering will reduce the number of shares held by existing shareholders of the Company to 9,409,945 or 68.1% of the total number of shares outstanding after this offering (8,749,945 shares or 63.4% if the Underwriters' over-allotment option is exercised in full) and will increase the number of shares held by new investors to 4,400,000 shares or 31.9% of the total number of shares of Common Stock outstanding after this offering (5,060,000 shares or 36.6% if the Underwriters' over-allotment option is exercised in full). See "Principal and Selling Shareholders."

SELECTED FINANCIAL DATA

The selected financial data presented below as of September 30, 1995 and 1996, and for each of the three years in the period ended September 30, 1996 are derived from the Company's Financial Statements and related Notes thereto which have been audited by Ernst & Young LLP, independent auditors. The selected financial data presented below as of September 30, 1992, 1993 and 1994, and for each of the years ended September 30, 1992 and 1993 are derived from the Company's financial statements, not included in this Prospectus, which have been audited by the Company's predecessor accountants. The selected financial data as of December 31, 1996 and for the interim three-month periods ended December 31, 1995 and 1996 are unaudited but, in the opinion of management, include all adjustments, consisting only of normal recurring items, necessary for a fair presentation of the results of the interim periods. The results of operations for the interim period ended December 31, 1996, are not necessarily indicative of the results to be expected for any other interim period or for the full year. The selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements and related Notes thereto appearing elsewhere in this Prospectus.

<TABLE>
<CAPTION>

	YEARS ENDED SEPTEMBER 30,					THREE MONTHS ENDED DECEMBER 31,	
	1992	1993	1994	1995	1996	1995	1996
	(IN THOUSANDS, EXCEPT PER SHARE DATA)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF INCOME DATA:							
Revenues:							

Government Operations Group(1)	$23,749	$18,071	$11,779	$16,951	$ 20,681	$ 4,102	$ 8,029
Consulting Group	9,400	12,522	15,138	20,698	25,902	5,152	6,704
SSA Contract(2)	--	--	2,943	14,314	56,530	7,446	22,511
Total revenues	33,149	30,593	29,860	51,963	103,113	16,700	37,244
Cost of revenues	18,595	15,388	21,716	36,071	78,429	12,027	29,534
Gross profit	14,554	15,205	8,144	15,892	24,684	4,673	7,710
Selling, general and administrative expenses	9,657	10,178	6,979	9,078	13,104	2,742	4,039
Income from operations	4,897	5,027	1,165	6,814	11,580	1,931	3,671
Interest and other income	376	80	80	169	264	53	84
Income before income taxes	5,273	5,107	1,245	6,983	11,844	1,984	3,755
Provision (benefit) for income taxes	152	114	(5)	124	225	40	57
Net income(3)	$ 5,121	$ 4,993	$ 1,250	$ 6,859	$ 11,619	$ 1,944	$ 3,698
PRO FORMA STATEMENT OF INCOME DATA:(4)							
Historical income before income taxes					$ 11,844		$ 3,755
Pro forma income tax expense					4,738		1,502
Pro forma net income					$ 7,106		$ 2,253
Pro forma net income per share					$ 0.59		$ 0.19
Shares used in computing pro forma net income per share(5)					12,105		12,140

</TABLE>

<TABLE>
<CAPTION>

	AS OF SEPTEMBER 30,					AS OF DECEMBER 31,	
	1992	1993	1994	1995	1996	1996 ACTUAL	1996 PRO FORMA(6)
				(IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE SHEET DATA:							
Cash and cash equivalents and short-term investments	$ 1,849	$ 1,093	$ 326	$ 2,502	$ 3,333	$ 5,171	$ 5,171
Working capital	6,158	6,818	6,855	13,184	22,700	26,355	8,152
Total assets	17,091	12,745	15,049	22,670	35,493	43,856	43,856
Redeemable common stock	6,759	6,971	6,889	10,578	16,757	18,790	--
Total shareholders' equity	1,907	2,484	2,921	5,706	9,197	10,862	

6,865
</TABLE>

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(1) In fiscal years 1992 and 1993, the Company's Government Operations Group had revenues of $11.4 million and $10.4 million, respectively, related to a significant contract that expired in July 1993. No further revenues were received under this contract after its expiration.

(2) Represents revenues under a significant contract with the federal Social Security Administration, which terminated pursuant to legislative action and under which no revenues will be received after February 28, 1997. See "Risk Factors -- Legislative Change," "-- Variability of Quarterly Operating Results" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(3) For all periods shown, the Company elected to be treated as an S corporation and, as a result, the income of the Company has been taxed for federal and most state purposes directly to the Company's shareholders rather than to the Company.

(4) Pro forma net income and pro forma net income per share reflect federal and state income taxes (assuming a 40% combined effective tax rate) as if the Company had been taxed as a C corporation for the periods presented. Pro forma net income does not reflect two significant charges that the Company will record in the quarter in which the offering is consummated: (i) a charge for income tax expense representing the cumulative deferred tax liability (estimated to be $5.3 million as of December 31, 1996) resulting from the termination of the Company's S corporation status; and (ii) a compensation charge, estimated at $5.1 million, related to the grant to employees on January 31, 1997 of options for an aggregate of 403,975 shares of Common Stock. The estimated compensation expense represents the difference between the assumed initial public offering price of $14.00 per share and the option exercise price of $1.46 per share. The option exercise price is based on the book value of the Common Stock at September 30, 1996, and was established pursuant to pre-existing compensation arrangements with certain of the Company's key employees. See "Management -- Executive Compensation," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 3 of Notes to Financial Statements.

(5) Assumes 12,105,000 and 12,140,000 shares were issued and outstanding during the year ended September 30, 1996 and the three months ended December 31, 1996, respectively. Such amounts consist of 11,418,000 and 11,453,000 weighted average shares outstanding for the respective periods, the shares issuable upon the exercise of options granted in January 1997, and the shares necessary to replace equity to be distributed as a result of the S Corporation Dividend. See "S Corporation Dividend," "Management -- Executive Compensation" and Note 3 of Notes to Financial Statements.

(6) Reflects the S Corporation Dividend to be paid to the shareholders, a reclassification of redeemable common stock to reflect elimination of the Company's obligation to purchase its Common Stock from shareholders and the net deferred tax liability that would have been recorded by the Company if its S corporation status was terminated at that date. See "S Corporation Dividend," "Capitalization" and Note 3 of Notes to Financial Statements.

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

OVERVIEW

MAXIMUS is a leading provider of program management and consulting services to government health and human services agencies in the United States. Founded in 1975, the Company has been profitable every year since inception. The Company conducts its operations through two groups, the Government Operations Group and the Consulting Group. The Government Operations Group administers and manages government health and human services programs, including welfare-to-work and job readiness, child support enforcement, managed care enrollment and disability services. The Consulting Group provides health and human services planning, information technology consulting, strategic program evaluation, program improvement, communications planning and revenue maximization services.

The Company's revenues are generated from contracts with various payment arrangements, including: (i) costs incurred plus a fixed fee ("cost-plus"); (ii) fixed price; (iii) performance-based criteria; and (iv) time and materials reimbursement (utilized primarily by the Consulting Group). For the fiscal year

ended September 30, 1996, revenues from these contract types were approximately 62%, 23%, 11% and 4%, respectively, of total revenues. Traditionally, federal government contracts have been cost-plus and a majority of the contracts with state and local government agencies have been fixed price and performance-based. Fixed price and performance-based contracts generally offer higher margins but typically involve more risk than cost-plus or time and materials reimbursement contracts because the Company is subject to potential cost overruns or inaccurate revenue estimates. As discussed further below, the SSA Contract was terminated in December 1996 as a result of legislative action. Excluding the SSA Contract, fiscal 1996 revenues from the above contract types were approximately 15%, 51%, 25% and 9%, respectively, of total revenues.

In October 1996, President Clinton signed into law an amendment to the Social Security Act of 1935, effective January 1, 1997, that eliminated Social Security Income and Supplemental Security Disability Insurance benefits based solely on drug and alcohol disabilities. As a result of this legislative act, the Social Security Administration terminated the SSA Contract effective at the end of February 1997. All services to be provided to the Social Security Administration will be completed in the second quarter of the Company's 1997 fiscal year. The SSA Contract contributed $56.5 million, $14.3 million and $2.9 million to the Company's revenues in fiscal years 1996, 1995 and 1994, respectively. The termination of the SSA Contract will significantly reduce the Company's revenue base as compared to prior periods. No assurance can be given that the Company will be able to generate additional revenues in future periods in amounts sufficient to replace the revenues received under the SSA Contract and, as a result, the Company may experience materially lower revenues as compared to prior periods. The Company has experienced a limited number of other early terminations since inception. See "Risk Factors -- Variability of Quarterly Operating Results."

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, 1996, the Company's average Government Operations contract duration was 3 1/2 years. The Company's Consulting Group is typically engaged for periods in excess of 24 months. Indicative of the long-term nature of the Company's engagements, approximately 84% of the Company's fiscal 1996 revenues were in backlog as of September 30, 1995.

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

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. Selling, general and administrative expenses as a percentage of revenues have decreased in recent years as these costs have been absorbed by a larger revenue base.

From October 1, 1987 to the date of this offering, the Company elected to be treated as an S corporation for federal income tax purposes. For all periods prior to October 1, 1996, the Company's income was taxed directly to its shareholders on the cash basis and for the period from October 1, 1996 through the date of this offering, the Company plans to have its income taxed directly to its shareholders on the accrual basis. Upon completion of this offering, the Company's S corporation status will terminate and the Company will be subject to income tax on the accrual basis as a C corporation.

During the quarter in which this offering is completed, the Company will recognize two significant charges against income. The completion of this offering will result in the termination of the Company's S corporation status. As a result the Company will record a one-time income statement charge to operations estimated at $5.3 million based on the deferred tax liabilities as of December 31, 1996. In connection with this offering, on January 31, 1997, certain key employees of the Company surrendered rights to purchase shares of Common Stock of the Company in exchange for options to purchase shares of Common Stock at an exercise price of $1.46 per share. Upon completion of this offering, the Company will recognize a non-cash compensation charge against income equal to the difference between the initial public offering price and the option exercise price for all outstanding options. At an assumed initial public offering price of $14.00 per share, the charge against income is estimated to be $5.1 million. The option exercise price is based on the book value of the Common Stock at September 30, 1996, and was established pursuant to pre-existing

compensation arrangements with these employees. As a result of these charges, the Company will report a significant net loss in the period in which this offering is completed, which is anticipated to be the quarter ended June 30, 1997. See "Management -- Executive Compensation."

RESULTS OF OPERATIONS

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

<TABLE>
<CAPTION>

	YEARS ENDED SEPTEMBER 30,			THREE MONTHS ENDED DECEMBER 31,	
	1994	1995	1996	1995	1996
<S>	<C>	<C>	<C>	<C>	<C>
Revenues:					
Government Operations Group	39.4%	32.6%	20.1%	24.6%	21.6%
Consulting Group	50.7	39.8	25.1	30.8	18.0
SSA Contract	9.9	27.6	54.8	44.6	60.4
Total revenues	100.0	100.0	100.0	100.0	100.0
Gross Profit:					
Government Operations Group	5.2	22.7	25.5	22.6	18.4
Consulting Group	46.9	48.0	46.9	50.9	46.3
SSA Contract	14.8	14.8	12.9	15.0	13.9
Total gross profit	27.3	30.6	23.9	28.0	20.7
Selling, general and administrative expenses	23.4	17.5	12.7	16.4	10.8
Income from operations	3.9	13.1	11.2	11.6	9.9
Interest and other income	0.3	0.3	0.3	0.3	0.2
Income before income taxes	4.2	13.4	11.5	11.9	10.1
Provision for income taxes	0.0	0.2	0.2	0.2	0.2
Net income	4.2%	13.2%	11.3%	11.7%	9.9%

</TABLE>

THREE MONTHS ENDED DECEMBER 31, 1996 COMPARED TO THREE MONTHS ENDED DECEMBER 31, 1995

Revenues. Total contract revenues increased 123.0% to $37.2 million for the three months ended December 31, 1996 as compared to $16.7 million for the same period in 1995. Government Operations Group revenues increased 164.5% to $30.5 million for the three months ended December 31, 1996 from $11.5 million for the same period in 1995 due to an increase in the number of projects and an increase in revenues from the SSA Contract. For the three months ended December 31, 1996, revenues from the SSA Contract were $22.5 million as compared to $7.4 million in the same period in 1995. Excluding the SSA Contract, Government Operations Group revenues increased 95.7% to $8.0 million in the three months ended December 31, 1996 from $4.1 million in same period in 1995. Consulting Group revenues increased 30.1% to $6.7 million for the three months ended December 31, 1996 from $5.2 million in the same period in 1995 due to an increase in the number of contracts.

Gross Profit. Gross profit consists of total revenues less cost of revenues. Total gross profit increased 65.0% to $7.7 million for the three months ended December 31, 1996 as compared to $4.7 million for the same period in 1995. Government Operations Group gross profit increased 124.9% to $4.6 million for the three months ended December 31, 1996 from $2.0 million for the three months ended December 31, 1995. As a percentage of revenues, gross profit decreased to 20.7% in the three months ended December 31, 1996 from 28.0% in the same period in 1995, primarily due to the increased revenue contribution of the SSA Contract, which had a lower gross profit margin. Excluding the SSA Contract, as a percentage of revenues, Government Operations Group gross profit decreased to 18.4% in the three months ended December 31, 1996 from 22.6% in the same period in 1995 due to the incurrence of approximately $0.5 million of pass-through costs which generated no gross margin for the three months ended December 31, 1996, and the recognition of $0.2 million of above-normal profit due to the Company exceeding expectations, on a performance-based contract for the three months ended on December 31, 1995. Consulting Group gross profit increased 18.2% to $3.1 million for the three months ended December 31, 1996 from $2.6 million for the same period in 1995 due to higher revenues. As a percentage of revenues, Consulting Group gross profit decreased to 46.3% for the three months ended December 31, 1996 from 50.9% in the same period in 1995

primarily due to the recognition of above normal profit due to the Company exceeding expectations on several performance-based contracts in the three months ended December 31, 1995.

Selling, General and Administrative Expenses. Total selling, general and administrative expenses increased 47.3% to $4.0 million for the three months ended December 31, 1996 as compared to $2.7 million in the same period in 1995. Increased numbers of both professional and administrative employees resulted in an increase in salary and benefit expense for the three months ended December 31, 1996. Training costs and professional fees also increased for the three months ended December 31, 1996. As a percentage of revenues, selling, general and administrative expenses decreased to 10.8% for the three months ended December 31, 1996 from 16.4% for the same period in 1995 as the Company was able to support its revenue growth without a proportionate increase in associated costs.

YEAR ENDED SEPTEMBER 30, 1996 COMPARED TO YEAR ENDED SEPTEMBER 30, 1995

Revenues. Total revenues increased 98.4% to $103.1 million in fiscal 1996 from $52.0 million in fiscal 1995. Government Operations Group revenues increased 147.0% to $77.2 million in fiscal 1996 from $31.3 million in fiscal 1995. This growth was due to an increase in the number of projects and an increase in revenues from the SSA Contract, which contributed $56.5 million to fiscal 1996 revenues as compared to $14.3 million to fiscal 1995 revenues. Excluding the SSA Contract, Government Operations Group revenues increased 22.0% to $20.7 million in fiscal 1996 from $17.0 million in fiscal 1995. Consulting Group revenues increased 25.1% to $25.9 million in fiscal 1996 from $20.7 million in fiscal 1995 primarily due to an increase in revenues from revenue maximization contracts. The Consulting Group's nine revenue maximization contracts in fiscal 1996 contributed $5.1 million to fiscal 1996 revenues as compared to two revenue maximization contracts which contributed $2.2 million to fiscal 1995 revenues.

Gross Profit. Total gross profit increased 55.3% to $24.7 million in fiscal 1996 from $15.9 million in fiscal 1995. Government Operations Group gross profit increased 110.6% to $12.5 million in fiscal 1996 from

$6.0 million in fiscal 1995. As a percentage of revenues, Government Operations Group gross profit decreased to 16.2% in fiscal 1996 as compared to 19.0% in fiscal 1995, primarily due to the increased revenue contribution of the SSA Contract, which had a lower gross margin. Excluding the SSA Contract, as a percentage of revenues, Government Operations Group gross profit increased to 25.5% for fiscal 1996 from 22.7% for fiscal 1995. Consulting Group gross profit increased 22.2% to $12.1 million in fiscal 1996 from $9.9 million in fiscal 1995 as a result of higher revenues. As a percentage of revenues, Consulting Group gross profit decreased to 46.9% in fiscal 1996 from 48.0% in fiscal 1995, which represents normal variability of gross profit from year to year.

Selling, General and Administrative Expenses. Total selling, general and administrative expenses increased 44.3% to $13.1 million in fiscal 1996 from $9.1 million in fiscal 1995. This increase in costs was due to increases in both professional and administrative personnel necessary to support the Company's growth. The total number of employees increased to 754 at September 30, 1996 from 439 at September 30, 1995. Additionally, marketing and proposal preparation expenditures increased as the Company pursued further revenue growth. As a percentage of revenues, selling, general and administrative expenses decreased to 12.7% in fiscal 1996 from 17.5% in fiscal 1995 due to the Company's ability to support its growth without a proportionate increase in associated costs.

YEAR ENDED SEPTEMBER 30, 1995 COMPARED TO YEAR ENDED SEPTEMBER 30, 1994

Revenues. Total revenues increased 74.0% to $52.0 million in fiscal 1995 from $29.9 million in fiscal 1994. Government Operations Group revenues increased 112.4% to $31.3 million in fiscal 1995 from $14.7 million in fiscal 1994 due to an increase in the number of projects and an increase in revenue from the SSA Contract, which commenced in February 1994. The SSA Contract contributed $14.3 million to fiscal 1995 revenues as compared to $2.9 million to fiscal 1994 revenues. Excluding the SSA Contract, Government Operations Group revenues increased 43.9% to $17.0 million in fiscal 1995 from $11.8 million in fiscal 1994. Consulting Group revenues increased 36.7% to $20.7 million in fiscal 1995 from $15.1 million in fiscal 1994 due to an increase in the number of contracts and revenues resulting from revenue maximization contracts, which the Company commenced performing in fiscal 1994. Revenues attributable to revenue maximization contracts grew to $2.2 million in fiscal 1995 from $0.3 million in fiscal 1994.

Gross Profit. Total gross profit increased 95.1% to $15.9 million in fiscal 1995 from $8.1 million in fiscal 1994. Government Operations Group gross profit increased 468.5% to $6.0 million in fiscal 1995 from $1.0 million in fiscal 1994. As a percentage of revenues, Government Operations Group gross

profit increased to 19.0% in fiscal 1995 from 7.1% in fiscal 1994. This increase in gross margin resulted primarily from nonrecurring losses on two of its contracts in fiscal 1994, whereas the Company realized above normal profit on one of its contracts in fiscal 1995. Consulting Group gross profit increased 40.0% to $9.9 million in fiscal 1995 from $7.1 million in fiscal 1994 due to higher revenues. As a percentage of revenues, Consulting Group gross profit increased to 48.0% in fiscal 1995 from 46.9% in fiscal 1994 which represents normal variability of gross profit from period to period.

Selling, General and Administrative Expenses. Total selling, general and administrative expenses increased 30.1% to $9.1 million in fiscal 1995 from $7.0 million in fiscal 1994. This increase in costs was due to increased professional and administrative personnel necessary to support the growth of the Company. The number of Consulting Group professionals increased 46% during the year ended September 30, 1995 and administrative personnel increased 30% over the same period. As a percent of revenues, selling, general and administrative expenses decreased to 17.5% for fiscal 1995 from 23.4% for fiscal 1994 due to the ability of the Company to support its growth without a proportionate increase in associated costs.

QUARTERLY RESULTS

Set forth below are selected income statement data for the nine fiscal quarters ended December 31, 1996. This information is derived from unaudited quarterly financial statements which include, in the opinion of management, all adjustments necessary for a fair presentation of the information for such periods. This information should be read in conjunction with the Financial Statements and related Notes thereto contained elsewhere in this Prospectus. Results of operations for any fiscal quarter are not necessarily indicative of results for any future period.

	QUARTERS ENDED								
	DEC. 31, 1994	MAR. 31, 1995	JUNE 30, 1995	SEPT. 30, 1995	DEC. 31, 1995	MAR. 31, 1996	JUNE 30, 1996	SEPT. 30, 1996	DEC. 31, 1996
	(IN THOUSANDS)								
Revenues:									
Government Operations Group	$ 4,303	$ 4,715	$ 3,964	$ 3,969	$ 4,102	$ 4,947	$ 4,896	$ 6,736	$ 8,029
Consulting Group	4,742	5,030	5,446	5,481	5,152	7,333	5,832	7,585	6,704
SSA Contract	2,290	2,724	3,787	5,512	7,446	10,606	17,170	21,308	22,511
Total revenues	11,335	12,469	13,197	14,962	16,700	22,886	27,898	35,629	37,244
Cost of revenues	8,124	8,385	9,064	10,498	12,027	16,962	21,577	27,863	29,534
Gross profit	3,211	4,084	4,133	4,464	4,673	5,924	6,321	7,766	7,710
Selling, general and administrative expenses	1,762	2,176	2,446	2,694	2,689	3,075	3,219	4,121	4,039
Income from operations	1,449	1,908	1,687	1,770	1,984	2,849	3,102	3,645	3,671
Interest and other income	34	36	46	53	53	46	63	102	84
Income before income taxes	1,483	1,944	1,733	1,823	2,037	2,895	3,165	3,747	3,755
Provision for income taxes	26	35	31	32	39	55	60	71	57

Net income.................	$ 1,457	$ 1,909	$ 1,702	$ 1,791	$ 1,998	$ 2,840	$ 3,105	$ 3,676	$ 3,698
	=======	=======	=======	=======	=======	=======	=======	=======	=======

</TABLE>

The Company's 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 the government agencies for awarding contracts, the term of each contract that the Company has been awarded and general economic conditions. Because a significant portion of the Company's 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. Furthermore, the Company has on occasion experienced a pattern in its results of operations pursuant to which it incurs greater operating expenses during the start-up and early stages of significant contracts. In addition, the termination of the SSA Contract will significantly reduce the Company's revenue base as compared to previous quarters. No assurances can be given that quarterly results will not fluctuate, causing a material adverse effect on the Company's operating results and financial condition. See "Risk Factors -- Variability of Quarterly Operating Results."

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary source of liquidity has been cash flows from operations. The Company's cash flows from operations were $1.8 million, $3.1 million, $2.9 million and $0.3 million for the three months ended December 31, 1996 and for the years ended September 30, 1996, 1995, and 1994, respectively. Because the Company elected to be treated as an S corporation for tax purposes, the Company's net cash provided by operations reflects only certain state taxes. The timing of receipt of contract payments can vary and, combined with the requirement to provide start-up funding for new projects, cash flows fluctuate from period to period.

Of the $1.3 million of cash flow used for investing activities for the year ended September 30, 1996, $1.0 million was used to purchase short-term municipal bonds, which can be readily converted to cash if needed. The Company has no material commitments for capital expenditures and, as a services company, does not anticipate making any significant capital expenditures over the next two years.

Cash flows from financing activities consisted solely of stock sales to employees, purchases from departing employees and S corporation distributions, which were made to fund the payment of income taxes by the shareholders. The Company does not anticipate the future payment of dividends, other than the S Corporation Dividend.

The Company has a $10.0 million revolving credit facility (the "Credit Facility") with a bank, which may be used for borrowing and the issuance of letters of credit. Outstanding letters of credit totalled $1.2 million at December 31, 1996. The Credit Facility bears interest at a rate equal to LIBOR (approximately 5.4% at February 3, 1997) plus 2.0%. The Credit Facility contains certain restrictive covenants and financial ratio requirements, including a minimum net worth requirement of $10.5 million. The Company has not used the Credit Facility to finance its working capital needs and, at December 31, 1996, the Company had $8.8 million available under the Credit Facility.

The Company believes the net proceeds from the sale of Common Stock offered hereby, together with funds generated by operations, will provide adequate cash to fund its anticipated cash needs over the next 12 months, which may include start-up costs associated with new contract awards, obtaining additional office space, establishing new offices, expansion of international operations, investment in upgraded systems infrastructure or acquisitions of other businesses, technologies, product rights or distribution rights. In addition, the Company's stronger financial condition should facilitate its ability to compete for certain larger contracts from which it is currently restricted.

RECENTLY ISSUED FINANCIAL ACCOUNTING STANDARDS

Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, was issued in October 1995. The Company will be required to adopt the new standard for its fiscal year ending September 30, 1997. This standard establishes the fair-value-based method (the "FAS 123 Method") rather than the intrinsic value based method as the preferred accounting methodology for stock-based compensation arrangements. Entities are

allowed to: (i) continue to use the intrinsic value based methodology in their basic financial statements and provide in the footnotes pro forma net income and earnings per share information as if the FAS 123 Method had been adopted; or (ii) adopt the FAS 123 Method. The Company anticipates providing the required disclosures in the Notes to the Financial Statements.

BUSINESS

OVERVIEW

MAXIMUS is a leading provider of program management and consulting services to government health and human services agencies in the United States. Since 1975, the Company has been at the forefront of innovation in "Helping Government Serve the People(TM)." The Company's services are designed to make government operations more efficient and cost effective while improving the quality of the services provided to program beneficiaries. The Company applies an entrepreneurial, private sector approach incorporating advanced technology in large scale projects in almost every state in the nation. The Company's leading position in the emerging private sector health and human services industry is reflected by its continued success in being awarded competitively bid contracts by government health and human services agencies and a corresponding growth in annual revenues from approximately $19 million in fiscal 1990 to over $100 million in fiscal 1996.

MAXIMUS conducts its operations through two groups, the Government Operations Group and the Consulting Group. The Government Operations Group administers and manages government health and human services programs, including welfare-to-work and job readiness, child support enforcement, managed care enrollment and disability services. The Consulting Group provides health and human services planning, information technology consulting, strategic program evaluation, program improvement, communications planning and revenue maximization services.

MARKET OPPORTUNITY

The Company believes that providing program management and consulting services to government agencies in the health and human services sector represents a significant market opportunity for the Company. Federal, state and local government agencies in the United States spend over $200 billion annually on the
health and human services programs for which the Company markets its services, including welfare, child care, child support enforcement, food stamps, Social Security Disability Insurance, Supplemental Security Income and Medicaid. These programs cost an estimated $21.0 billion in annual administrative costs. The following chart sets forth currently available data from U.S. government publications for programs served by the Company:

<TABLE>
<CAPTION>

PROGRAM	ESTIMATED NUMBER OF BENEFICIARIES SERVED	ESTIMATED ANNUAL ADMINISTRATIVE EXPENDITURES
<S>	<C>	<C>
Social Security Disability Insurance...	5.9 million	$ 1.1 billion
Supplemental Security Income...........	6.5 million	2.0 billion
Food Stamps............................	28.0 million	3.7 billion
Medicaid...............................	35.1 million	7.7 billion
Temporary Assistance to Needy Families.............................	13.6 million	3.5 billion
Child Support Enforcement..............	9.9 million	3.0 billion

</TABLE>

There has been a recent surge in legislation and initiatives to reform federal, state and local welfare and health and human services systems. The most significant of these legislative reforms is the Welfare Reform Act, which restructures the benefits available to welfare recipients, eliminates unconditional welfare entitlement and, most importantly, restructures the funding mechanisms that exist between federal and state governments. Under the Welfare Reform Act, states will receive block grant funding from the federal government and will no longer be able to seek reimbursement in the form of matching federal government funds for expenditures in excess of block grants. Accordingly, states will bear the financial risk for the operation of their welfare programs. A number of state governments are taking action to respond to the changes created by welfare reform. For example, the State of Wisconsin recently awarded a performance-based contract to the Company to manage the welfare-to-work program in part of Milwaukee. In addition, in Essex County (Newark), New Jersey, authorities are currently preparing an RFP for the administration of the county's welfare programs, which currently cost

approximately $52 million per year to administer.

The Company believes that political pressures, combined with the financial constraints imposed by the Welfare Reform Act, will accelerate the rate at which state and local health and human services agencies seek new solutions to reduce costs and improve the effectiveness of entitlement programs. The Company believes that government agencies are increasingly turning to companies similar to MAXIMUS to administer programs more effectively. Government outsourcing ranges from the engagement of sophisticated private consulting firms working with government to improve the delivery of human services to the complete outsourcing of government health and human services programs. The Company believes that many government agencies have concluded that private companies, similar to MAXIMUS, offer cost savings and increased efficiency due to their ability to: (i) accept contracts where compensation is based on performance; (ii) attract and compensate experienced, high level management personnel; (iii) rapidly procure and utilize advanced technology; (iv) vary the number of personnel on a project to match fluctuating work loads; (v) increase productivity by providing employees with financial incentives and performance awards and more readily terminating non-productive employees; (vi) provide employees with ongoing training and career development assistance; and (vii) maintain a professional work environment that is more conducive to employee productivity.

STRENGTHS AND DIFFERENTIATIONS

MAXIMUS has been a pioneer in offering state and local government agencies a private sector alternative to the internal administration of government health and human services programs and has been innovative in developing new businesses and market opportunities for the Company's services. The Company believes that the following business strengths and differentiating characteristics position it to capitalize on the significant market opportunities presented by the environment of changing health and human services program regulation and evolving technologies.

Vertical Market Focus. The Company believes that it is the largest company dedicated exclusively to providing program management and consulting services to government health and human services agencies. The Company has accumulated a detailed knowledge base and understanding of the regulation and operation of health and human services programs that allows it to apply proven methodologies, skills and solutions to new projects in a cost-effective and timely fashion. The Company believes that its exclusive focus, size and broad range of health and human services program expertise differentiate it 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, MAXIMUS has successfully applied its entrepreneurial private sector approach to assisting government health and human services agencies. Over the last five years, MAXIMUS has successfully completed approximately 100 program management and consulting services projects for state and local health and human services agencies serving millions of beneficiaries in nearly every state. The Company believes that the successful execution of these projects has earned MAXIMUS a reputation for providing efficient and cost-effective services to government agencies while improving the quality of services provided to program beneficiaries. This reputation has contributed significantly to its ability to compete successfully for new contracts.

Wide Range of Services. Many of the Company's clients require their vendors to provide a broad array of service offerings, something many of the Company's competitors cannot provide. Engagements often require creative solutions that must be drawn from diverse areas of expertise. The Company's expertise in a wide range of services enable it to better pursue such opportunities and to offer itself as a single-source provider of program management, consulting and information technology services to government agencies.

Proprietary Case Management Software Program. MAXIMUS has developed a proprietary automated case management software program called the MAXSTAR Human Services Application Builder. MAXSTAR is a software platform that allows the Company to reduce project implementation time and cost. Because government agencies are required to manage vast amounts of data and large numbers of cases without

access to advanced technology and experienced professionals, the Company believes that MAXSTAR, together with the Company's information technology professionals, is a key element of its success.

Experienced Team of Professionals. MAXIMUS has assembled an experienced management team of former government executives, state agency officials, information technology specialists and other professionals with backgrounds in the public health and human services industry. The Company's employees

understand the problems and challenges faced in the marketing, assessment and delivery of government agency services. Furthermore, since state and local government administrators are subject to changing legislative and political mandates, MAXIMUS has developed strong relationships with experienced political consultants who inform and advise the Company with respect to strategic marketing and legislative initiatives.

GROWTH STRATEGY

The Company's goal is to be the leading provider of administrative and consulting services to government health and human services programs. The Company's strategy to achieve this goal includes the following:

Capitalize on Government Reform. The Company believes that it is well-positioned to benefit from the expected increase in demand for new program management and consulting services that will arise in an environment characterized by changing regulation and evolving technology. The Company believes that fiscal pressures will compel state governments to rationalize program operations and upgrade existing technology to operate more cost-efficient and productive programs. To achieve these efficiencies, MAXIMUS believes that many government agencies will turn to outside experts for help.

Aggressively Pursue New Business Opportunities. Throughout its 21-year history, the Company has been a leader in developing innovative solutions to meet the evolving needs of state and local health and human services agencies. The Company plans to expand its revenue base by: (i) marketing new and innovative program management solutions to the Company's extensive client base; (ii) expanding the Company's client base by marketing the Company's experience and established methodologies and systems; (iii) investing in early identification of government bid opportunities; and (iv) submitting competitive bids that leverage the Company's proven solutions for past projects.

Recruit Highly Skilled Professionals. The Company continually strives to recruit top government management and information technology professionals with the experience, skills and innovation necessary to design and implement solutions to complex problems presented by resource-constrained government agencies. The Company also seeks to attract middle-level consultants with a proven track record in the health and human services field and a network of political contacts to leverage the Company's existing management infrastructure, client relationships and areas of expertise.

Pursue Strategic Acquisitions. Given the highly fragmented structure of the government services and consulting marketplace, MAXIMUS believes that numerous acquisition opportunities exist. Acquisitions can provide the Company with a rapid, cost-effective method to grow its number of consultants, broaden its client base, establish or expand its presence in a geographic region or obtain additional skill sets.

There can be no assurance that the Company will be successful in implementing any or all of its growth strategies or in achieving its goal, all of which are subject to various risks, including legislative change, requirements for significant up-front financial investment, continued ability to attract and retain qualified employees and risks related to acquisitions. See "Risk Factors."

SERVICES

The Company's services are designed to make government operations more efficient and cost effective while improving the quality of the services government agencies provide to program beneficiaries. The Company organizes its operations into two groups: (i) the Government Operations Group, specializing in the management of government health and human services operations; and (ii) the Consulting Group, providing health and human services planning, information technology consulting, strategic program evaluation, program improvement and revenue maximization services.

GOVERNMENT OPERATIONS GROUP

The Company's Government Operations Group is comprised of four divisions specializing in the administration and management of government health and human services programs.

Welfare Reform Division. The Company manages welfare-to-work programs by providing a wide range of services, including eligibility determination, 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. The Company's typical welfare-to-work contract involves the engagement

of the Company for a period of three to five years. The Company has served approximately 212,000 welfare recipients at 28 locations in six states. In 1996, for example, Fairfax County, Virginia awarded the Company a one year, $2 million contract to place welfare recipients into unsubsidized employment. To date, the Company has achieved a placement rate in excess of 90% on this contract.

Child Support Enforcement Division. The Company provides a full range of child support enforcement ("CSE") services, including: (i) outreach to and interview of parents of children entitled to child support; (ii) establishing paternity and obtaining, enforcing, reviewing and modifying child support orders; and (iii) payment processing. The Company operates statewide client service units, updates case arrearage and demographic data for new CSE automated systems and provides training to CSE workers. The Company believes that it has one of the largest CSE staffs in the private sector with over 350 professionals. The Company has been performing these services since 1976, which the Company believes is longer than any other private sector firm in the United States. The Company is currently engaged in the management of CSE programs in 13 locations in seven states providing full child support services for approximately 150,000 cases and specialized services for an additional 95,000 cases. For example, the Company currently is providing services under a five year, $12 million, full-service CSE program management contract in Nashville, Tennessee.

Disability Services Division. The Company provides a host of disability-related services geared toward case management, client assessment, treatment and vocational rehabilitation referral, client monitoring and innovative return-to-work strategies. MAXIMUS became the first company to operate a national case management and monitoring program for disability beneficiaries in 1995 when it won a contract with the Social Security Administration to provide referral and monitoring services to beneficiaries with drug or alcohol disabilities. The SSA Contract was the largest ever awarded by the SSA with potential revenues of $350 million. Under the SSA Contract, the Company has successfully referred approximately 100,000 disabled beneficiaries into treatment as a first step to re-entering the work force. The Company believes the skills and tools it employed in the SSA Contract will be invaluable in pursuing other large scale program management contracts. One example is the 1996 five-year, $4.6 million contract awarded to the Company by the State of New Jersey to develop and implement a program to identify and locate family members responsible for paying the institutional care costs of their disabled relatives.

Managed Care Enrollment Services Division. MAXIMUS has obtained significant experience in managing certain aspects of Medicaid programs through projects in 20 states. In these projects, MAXIMUS provides recipient outreach, education and enrollment services; an automated information system customized for the state; data collection and reporting; outreach to community-based organizations and advocacy groups; design and development of program materials; collection of enrollment premiums for uninsured participants; encounter data reporting to health plans; and care coordination for Early and Periodic Screening, Diagnosis and Treatment services. MAXIMUS currently operates the California Options Project, a three year managed care enrollment contract awarded to the Company in 1996. This project is one of the largest Medicaid managed care enrollment programs in the country with over two million program beneficiaries. The Company has also recently been awarded a significant managed care enrollment contract with the State of New York.

CONSULTING GROUP

The Company's Consulting Group is organized into four operational divisions: the Human Services Division, the Information Technology Division, the Systems Planning and Integration Division and the International Division.

Human Services Division. The Company provides consulting and technical support to the federal government as well as to state and local government agencies in the financing, delivery and management of a range of human services programs in the areas of revenue maximization, program evaluations and program improvement. Revenue maximization involves seeking to increase federal financial participation in state health and human services programs. The Company collects a contingency fee based on the amount of additional federal revenues recovered. Since it began offering revenue maximization services, the Company has succeeded in obtaining approximately $150 million in additional federal revenues and is currently engaged in projects that the Company estimates will yield more than $150 million in additional federal revenues. The Company is also frequently engaged to conduct evaluations and provide improvement recommendations for government programs. Program evaluation consulting contracts are frequently long-term, multi-year research projects involving the collection of extensive data using automated data merges as well as surveys and case record reviews. Since 1994, the Company has completed 50 revenue maximization, program evaluation and program improvement projects in over 25 states and localities and has recorded approximately $16 million in revenues from these types of projects. Since 1993, the State of Wisconsin has awarded to the Company a series of program evaluation engagements for the Department of Health and Social Services valued at $6 million.

Information Technology Division. The Company provides computer system management services to state and local government agencies administering health and human services and criminal justice programs. MAXIMUS provides assistance in designing and/or implementing emerging technologies involving Internet/Intranet, imaging, telephony, automated kiosks and touch screen technology. The Company provides assistance in assessing and evaluating the extent of Year 2000 problems and in strategic planning to resolve compliance issues. The Company believes that welfare reform legislation will increase the need for new and re-engineered systems applications, thus increasing the demand for the Company's services. This division also supports the technical electronic data processing needs of the Company's other divisions. Since 1991, the Company has provided information technology systems and design services for 41 projects in 17 states. For example, the Company is currently engaged in a six month, $900,000 contract to provide Year 2000 planning to the Office of Policy and Management of the State of Connecticut.

Systems Planning and Integration Division. The Company provides a range of systems consulting support services to state and local government health and human services agencies and criminal justice systems. This division focuses on integrating different systems and provides objective, third party strategic planning, procurement and project management support. Since 1990, the State of Michigan has awarded to the Company various contracts valued at more than $7 million in the aggregate to monitor and assess Family Assistance Management Information Systems, CSE systems and Medicaid Management Information Systems.

International Division. The Company provides healthcare consulting and systems services to assist foreign government agencies and healthcare organizations responsible for the delivery of treatment services to large populations. The Company automates and restructures clinical information systems for large outpatient providers, hospital information systems, managed care information systems, beneficiary management systems and treatment network management systems for managing large networks of health treatment facilities. In addition, MAXIMUS consults with foreign government agencies in developing healthcare policy reforms, treatment quality improvements and productivity enhancements. The Company's healthcare systems software, developed in ORACLE7(R), is a platform-independent and multi-language software package. The Company has developed an Arabic language version of this software for use in the Middle East. Currently, the division is engaged in a major automation project for the United States Agency for International Development in Egypt. The objective of the five-year, $22 million contract is to install a national healthcare system database in 18 hospitals and 200 clinics throughout Egypt, allowing the Egyptian Health Insurance Organization to better manage its facilities.

BACKLOG

The Company's backlog represents an estimate of the remaining future revenues from existing signed contracts. Using the best available information, the Company estimates backlog on a quarterly basis with

respect to all executed contracts. The 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 from quarter to quarter result from: (i) additional revenues from the execution of new contracts or extension or renewal of existing contracts; (ii) reduction in revenues from fulfilling contracts during the most recent quarter; (iii) reduction in revenues from the early termination of contracts; and (iv) adjustments to estimates of previously included contracts.

At March 27, 1997 and March 31, 1996, the Company's backlog for services pursuant to its contracts with federal, state and local health and human services agencies was approximately $194.5 million and $114.2 million, respectively. At March 27, 1997 and March 31, 1996, the Company's backlog, excluding the SSA Contract, was approximately $194.5 million and $44.8 million, respectively. The backlog for services at March 27, 1997 included $96.0 million pursuant to four contracts which have been awarded to the Company but have not yet been signed. The Company anticipates that these contracts will be signed during the quarter ending June 30, 1997.

MARKETING AND SALES

The Company's Government Operations Group obtains program management contracts from state and local authorities by responding to RFPs issued by such authorities. Whenever possible, prior to the issuance of an RFP, senior executives in the Government Operations Group work with senior government representatives, such as the governor, members of the governor's staff and the heads of health and human services agencies to encourage them to outsource certain health and human services functions. To identify opportunities to work with government officials at early stages and to optimize the government's receptivity to the Company's proposal to provide program management services, the Company establishes and maintains relationships with elected officials, political appointees and government employees. The Company occasionally engages marketing consultants, including lobbyists to establish and maintain relationships with these client representatives. The Company's consultants and lobbyists provide introductions to government personnel and provide information to the Company regarding the status of legislative and executive decision-making.

Following the issuance of an RFP the Government Operations Group participates 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, the Company's representatives then negotiate the contract with representatives of the contracting government authority until all terms are agreed.

The Consulting Group generates leads for consulting contracts by employing lobbyists, maintaining relationships with government personnel in charge of health and human services operations and communicating directly with current and prospective clients. The Consulting Group participates in professional associations of government administrators and industry seminars featuring presentations by MAXIMUS personnel. Senior executives from the Consulting Group develop leads through on-site presentations to the decision-makers. In most cases, consulting contracts, like program management contracts, are obtained after responding to a formal RFP. The Consulting Group's efforts in generating a lead prior to the RFP can facilitate the Company's insight in responding to a particular RFP. A portion of the Consulting Group's new business arises from prior client engagements, in which case the Company may be the sole source of services. In addition, clients frequently expand the scope of engagements during delivery to include follow-on activities.

COMPETITION

The market for providing program management and consulting services to state and local health and human services agencies is competitive and subject to rapid change. The Company's Government Operations Group competes for program management contracts with local non-profit organizations such as the United Way and Goodwill Industries, government services divisions of large companies such as Lockheed Martin Corp. and Electronic Data Systems, Inc., managed care enrollment companies such as Foundation Health Corporation and specialized service providers such as Andersen Consulting, America Works, Inc., Policy Studies Incorporated and GC Services, Inc. The Company's Consulting Group competes with the consulting divisions of the "Big 6" accounting firms as well as Electronic Data Systems, Inc. Many of these companies

are national and international in scope and have greater financial, technical, marketing and personnel resources than the Company. The Company anticipates that it will face increased competition in the future as new companies enter the market. The Company believes that its experience, reputation, industry focus and broad range of services will enable it to compete effectively in its marketplace. See "Risk Factors -- Intense Competition."

GOVERNMENT REGULATION

The market for the Company's services exists under a United States federal regulatory framework of social programs which are largely implemented at the state or local level. The following summarizes this framework:

WELFARE PROGRAMS. Under Title IV-A of the federal Social Security Act, the federal government provides financial assistance to underprivileged families under several programs generally known as "Welfare," which have included Aid to Families with Dependent Children ("AFDC"), Job Opportunities and Basic Skills Training ("JOBS") and the Food Stamp Program. Under the AFDC program, cash welfare payments are provided to needy children who have been deprived of parental support or care and certain others in the household of the child. State governments are required to define "need," set their own benefit levels, establish (within federal limitations) income and resource limits and administer the program or supervise its administration. Beginning in October 1990, the federal government required each state to implement a JOBS program, which is designed to help needy families with children to avoid long-term Welfare dependency by providing education, training, job placement and other supportive services including child care. The Food Stamp Program is designed to improve the nutrition of low-income households and is also administered by state welfare agencies under the supervision of the United States Department of Agriculture.

Benefits are generally provided in the form of food stamp coupons and are funded by the federal government, which reimburses part of the cost of establishing an automated system and part of the cost of operating an automated food stamp program.

Under the recently enacted Welfare Reform Act, AFDC and JOBS have been combined into a single program, known as "Temporary Assistance to Needy Families" or "TANF." Under TANF the federal government will make "block grants" of funds to the states, to be administered at the state level in programs that include certain mandatory work, education and job-related activities, including job training and job search for the purposes of: (i) providing needy families with time-limited assistance in order to end their dependency on government benefits and achieve self-sufficiency; (ii) preventing and reducing out-of-wedlock pregnancies, especially teenage pregnancies; and (iii) encouraging the formation and maintenance of two-parent families. While the federal act provides general requirements, states must determine how these requirements will be met.

CHILD SUPPORT ENFORCEMENT. The federal Child Support Enforcement ("CSE") program, authorized under Title IV-D of the Social Security Act, was established in 1975 in response to the increasing failure of many parents to provide financial support to their children. The purpose of the CSE program is to help strengthen families and reduce Welfare dependency by placing the responsibility for supporting children on the parents rather than on the government. State governments are generally required to locate absent parents, establish paternity if necessary, obtain judicial support orders and collect the support payments required by those orders. Child Support Enforcement has been the subject of close scrutiny in recent years and is an area of health and human services where government has sought significant private sector involvement including full service program management efforts.

The Child Support Enforcement Amendments of 1984 mandated that state CSE information systems, in order to receive matching federal funding, must meet certain federal functional requirements covering case initiation, case management, database linkage, financial management, enforcement, security, privacy and reporting. The Family Support Act of 1988, effective October 1992, mandated enhanced functional requirements for state CSE systems, including the implementation of automated systems able to interface electronically with other state systems such as Welfare, driver and vehicle registration and Medicaid systems.

SOCIAL SECURITY DISABILITY INSURANCE AND SUPPLEMENTAL SOCIAL SECURITY INCOME. Titles II and XVI of the federal Social Security Act provide for the administration and distribution of financial assistance to

disabled individuals whose impairments make them unemployable. These benefits fall into two categories: (i) Social Security Disability Insurance (Title II) provides financial benefits to individuals who have contributed to Social Security during a prior period of employment; and (ii) Supplemental Security Income or SSI (Title XVI) provides financial benefits to individuals who meet all the disability criteria used to determine eligibility under Title II, but who have not made a sufficient contribution to Social Security. Recently, there has been political pressure on the Social Security Administration (the "SSA") to review the caseload of Title II and Title XVI beneficiaries to ensure that each individual's disability still exists and that the extent of such disability remains sufficient to preclude employment. In addition, the SSA has been under pressure to increase and improve vocational rehabilitation efforts focused on returning disabled beneficiaries to work and self-sufficiency.

MEDICAID AND MEDICARE. Medicaid and Medicare were implemented under Title XIX and XVIII of the Social Security Act. Medicaid is a federal-state matching entitlement program, that provides reimbursement for the cost of medical care to low-income individuals who are aged, blind, disabled or AFDC beneficiaries, and to certain pregnant woman and children. Within broad federal guidelines, each state designs and administers its own program. Eligibility and claims processing systems are automated by each state to handle this program, which is typically the largest line item in a state budget. Federal assistance is also available on a waiver basis for managed care experimental medical treatment for Medicaid recipients and similar populations. Medicare is a federal entitlement program providing reimbursement of a portion of the cost of medical care provided to the elderly.

HUMAN RESOURCES

As of March 27, 1997, the Company had 1,094 employees, consisting of 906 employees in the Government Operations Group, 106 employees in the Consulting Group and 82 administrative employees. The Company's success depends in large part on attracting, retaining and motivating talented, innovative and experienced professionals at all levels. In connection with its hiring efforts, the Company employs a full-time human resources coordinator, retains several executive search firms and relies on personal and business contacts to recruit senior level employees for senior management positions in the Government

Operations Group and the Consulting Group and for senior administrative positions. When the Company's Government Operations Group is awarded a contract by state or local government, the Company is often under a tight timetable to hire project leaders and case management personnel to meet the needs of the new project. To meet such needs, the Company engages intensive short-term hiring efforts at the project's location. See "Risk Factors -- Reliance on Key Executives" and "-- Attraction and Retention of Employees."

The Company's hiring focus is to identify candidates who are well suited by background and temperament to serve the Company's government clients. The Company's Government Operations employees are largely drawn from government employment positions, while the Consulting Group employees are largely selected from other consulting organizations and government agencies.

MAXIMUS offers employees an internal training program designed to enhance professional skills and knowledge. Offered twice a year, the three-day program includes human resources topics such as cultural sensitivity, sexual harassment and wrongful termination; marketing, proposal writing and public relations; project administration topics, such as contract negotiations, project management, deliverable preparation and client management; and technology updates. In addition, MAXIMUS offers partial tuition reimbursement for employees pursuing relevant degree programs and fully reimburses employees for relevant training seminars and short courses.

The Company promotes loyalty and continuity of its employees by offering packages of base and incentive compensation and benefits that it believes are significantly more attractive than those offered by the government or other government consulting firms in general. In addition, to attract and retain employees, the Company has established several employee benefit plans. See "Management -- Stock Plans" and "-- 401(k) Plan."

LEGAL PROCEEDINGS

On March 12, 1997, Network Six, Inc. ("Network Six") served MAXIMUS with a First Amended Third-Party Complaint filed in the State of Hawaii Circuit Court of the First Circuit. In this complaint, Network Six named the Company, and other parties, as third party defendants in an action by the State of Hawaii against Network Six. In 1991, the Company's Consulting Group was engaged by the State of Hawaii to provide assistance in planning for and monitoring the development and implementation by Hawaii of a statewide automated child support system. In 1993, Hawaii contracted with Network Six to provide systems development and implementation services for this project. In 1996 the state terminated the Network Six contract for cause and filed an action against Network Six. Network Six counterclaimed against Hawaii that the state breached its obligations under the contract with Network Six. In the Third Party Complaint, Network Six alleges that the Company is liable to Network Six on grounds that: (i) Network Six was an intended third party beneficiary under the contract between the Company and Hawaii; (ii) the Company engaged in bad faith conduct and tortiously interfered with the contract and relationship between Network Six and Hawaii; (iii) the Company negligently breached duties to Network Six; and (iv) the Company aided and abetted Hawaii in Hawaii's breach of contract. Network Six's complaint seeks damages, including punitive damages, from the Company in an amount to be proven at trial. The Company believes Network Six may have filed or may in the future file actions in other jurisdictions asserting similar claims against the Company. The Company believes that Network Six was not an intended third party beneficiary under its contract with Hawaii and that Network Six's claims are without merit. The Company does not believe this action will have a material adverse effect on the Company's business, and it intends to rigorously defend this action. However, given the early stage of this litigation, no assurance may be given that the Company will be successful in its defense.

The Company is not a party to any material legal proceedings, except as set forth above.

FACILITIES

The Company is headquartered in McLean, Virginia, in a 21,000 square foot office building which is owned by the Company. The Company leases office space for other management and administrative functions in connection with the performance of its contracts in various states and foreign countries. On December 31, 1996, the Company conducted operations from twenty leased office facilities totalling 300,000 square feet. See Note 6 of Notes to Financial Statements. The lease terms vary from month-to-month to three-year leases and are at market rates. The Company believes that additional space will be required as the business expands and believes that it will be able to obtain such space as needed.

MANAGEMENT

EXECUTIVE OFFICERS, DIRECTORS AND KEY EMPLOYEES

The Company's executive officers, directors and key employees and their respective ages and positions as of December 31, 1996, are as follows:

<TABLE>
<CAPTION>

NAME	AGE	POSITION
<S>	<C>	<C>
David V. Mastran(1)................	54	President, Chief Executive Officer and Director
Raymond B. Ruddy(1)................	53	Chairman of the Board of Directors, Vice President of the Company and President of Consulting Group
Russell A. Beliveau(2).............	49	President of Government Operations Group and Director
F. Arthur Nerret...................	49	Treasurer and Chief Financial Officer
Donna J. Muldoon...................	54	Vice President of Administrative Services, Secretary and Director
Susan D. Pepin(2)..................	42	President of Systems Planning and Integration Division and Director
Lynn P. Davenport..................	49	President of Human Services Division and Director
Robert J. Muzzio...................	62	Executive Vice President and Director
Ilene R. Baylinson.................	40	President of Disability Services Division
Edward F. Hilz.....................	51	Chief Information Officer
David A. Hogan.....................	48	President of Child Support Division
John P. Lau, Sr....................	53	President of International Division
Holly A. Payne.....................	44	President of Welfare Reform Division

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(1) Member of the Compensation Committee.

(2) Member of the Audit Committee.

David V. Mastran has served as President and Chief Executive Officer since he founded the Company 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 the Chairman of the Board of Directors since 1985 and President of the Company's Consulting Group since 1986. From 1969 until he joined the Company, 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 the President of the Company's Government Operations Group since 1995. Mr. Beliveau has more than 20 years 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.

F. Arthur Nerret has served as Treasurer and Chief Financial Officer of the Company since 1994 and serves as Trustee of the Company's 401(k) Plan. He has over 24 years of accounting experience as a CPA. From 1981 until he joined the Company, 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.

Donna J. Muldoon has served as the Vice President of the Company's Administrative Services Division since 1989 and has served in various administrative capacities since 1978. Before joining the Company, Ms. Muldoon was an Administrative/Top Secret Control Officer with the Department of the Air Force, Logistic Plans and Programs, from 1973 until joining the Company.

Susan D. Pepin has served as the President of the Company's Systems Planning and Integration Division since 1994 and has been with the Company since 1988. She has over 14 years experience in technical management and consulting with a focus on health and human services management information systems. Before joining the Company, Ms. Pepin served as Director of eligibility systems for the Massachusetts Department of Public Welfare from 1984 until 1987 and a Project Leader for Wang Laboratories, Inc. from 1979 until 1984. Ms. Pepin received her

B.S. in Home Economics with a concentration in Consumer Studies and a minor in Business from the University of New Hampshire in 1976.

Lynn P. Davenport has served as the President of the Company's Human Services Division since he joined the Company in 1991 after 17 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 the Company, 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.

Robert J. Muzzio has served in various positions with the Company since 1979, including Executive Vice President since 1987, and has more than 30 years of experience as a health care administrator, health systems researcher, and personnel and manpower analyst. Prior to joining the Company, Mr. Muzzio held many public and private sector positions in the health care industry, including Life Support Coordinator for the Morrison Knudsen Saudi Arabia Consortium in 1978 and 1979 and Director of the Personnel Policies Division of the Office of the Surgeon General, Department of the Army, from 1976 until 1978. Mr. Muzzio received his M.A. in Health Care Administration from Baylor University in 1967 and his B.A. in Public Health from San Jose State College in 1956.

Ilene R. Baylinson has served as the President of the Company's Disability Services Division since 1995 and as Chief Operating Officer from 1991 to 1995. She has more than 17 years of experience in health and human services program administration. After obtaining her B.A. from John Hopkins University in 1978, Ms. Baylinson worked in a variety of positions for Koba Associates, Inc. of Washington, D.C., including Senior Vice President for Corporate Management, Marketing and Operations from 1989 until her departure and Corporate Vice President/Director, Law and Justice Division from 1985 through 1991.

Edward F. Hilz has served as the Company's Chief Information Officer since 1992 and has over 18 years of experience in the areas of research and development, telecommunications, health, marketing, finance and data center management. From 1987 until joining the Company, Mr. Hilz served as Chief Operating Officer of Nationwide Remittance Centers of McLean, Virginia. Previously, Mr. Hilz had worked in a variety of capacities for Martin Marietta Data Systems, Inc. since 1980. Mr. Hilz received a B.S. in Business Administration and Computer Sciences from the University of Baltimore in 1969.

David A. Hogan has served as the President of the Company's Child Support Division since 1994 and served as a Vice President of the division from 1993 until 1994. Prior to joining the Company, 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.

John P. Lau, Sr. has served as the President of the Company's International Division since 1993 and served as President of the Company's Advanced Systems Division from 1989 until 1993. From 1961 until 1988, Mr. Lau worked in a variety of government and private health care systems organizations in technical, managerial and executive positions. Most recently, Mr. Lau was a Vice President of Modern Psychiatric Systems in Rockville, Maryland in 1988 and 1989 and served from 1968 through 1988 as Consultant to the

President of Creative SocioMedics Corporation. Mr. Lau received his M.S. in Physics from Fairleigh Dickinson University in 1968 and his B.S. in Physics from St. Peter's College, Jersey City, New Jersey in 1965.

Holly A. Payne has served in various executive capacities at the Company since 1987 and as President of the Company's Welfare Reform Division since 1995. Ms. Payne has over 21 years of human services programs experience. From 1983 until she joined the Company, Ms. Payne was a Program Manager at Electronic Data Systems Corporation in Bethesda, Maryland and from 1978 until 1983 she worked in several capacities for the Departments of Social Services in Prince William and Fairfax Counties in Virginia. Ms. Payne received her M.S.W. from West Virginia University in 1978 and her B.S. in Family Services from Northern Illinois University in 1975.

BOARD OF DIRECTORS

The Company's Amended and Restated Articles of Incorporation, to be filed concurrently with the closing of this offering, provide for a classified board of directors consisting of three classes, with each class being as nearly equal in number of directors as possible. The Board of Directors currently consists of seven members. The Company expects to increase the size of the Board of Directors within 90 days after the closing of this offering and to fill the

newly created seats on the Board of Directors with at least two independent directors.

The term of one class of Directors expires, and their successors are elected for a term of three years, at each annual meeting of the Company's shareholders. The Company has designated two Class I directors (Donna J. Muldoon and Robert Muzzio), two Class II directors (Russell A. Beliveau and Susan D. Pepin) and three Class III directors (David V. Mastran, Raymond B. Ruddy and Lynn P. Davenport). These Class I, Class II and Class III directors will serve until the annual meetings of shareholders to be held in 1998, 1999 and 2000, respectively, and until their respective successors are duly elected and qualified, or until their earlier resignation or removal. The Amended and Restated Articles of Incorporation provide that directors may be removed only for cause by a majority of shareholders. There are no family relationships among any of the directors or executive officers.

Each of Raymond B. Ruddy and David V. Mastran, who will together hold 62.4% of the outstanding Common Stock of the Company after giving effect to this offering, has agreed to vote his shares in favor of the election of the other to the Board of Directors, as long as each of such shareholders owns or controls at least 20% of the Company's outstanding Common Stock. See "Agreements with Executives."

BOARD COMMITTEES

The Company's Board of Directors has standing Audit and Compensation Committees but does not have a Nominating Committee. The selection of nominees for the Board of Directors may be made either by the entire Board of Directors or, subject to certain notice provisions contained in the Company's Bylaws, by any shareholder entitled to vote for the election of directors.

The Audit Committee, consisting of Mr. Beliveau and Ms. Pepin was formed in January 1997 and has not held any meetings. The primary function of the Audit Committee is to assist the Board of Directors in the discharge of its duties and responsibilities by providing the Board with an independent review of the financial health of the Company and of the reliability of the Company's financial controls and financial reporting systems. The Audit Committee reviews the general scope of the Company's annual audit, the fees charged by the Company's independent accountants and other matters relating to internal control systems. The Company intends to appoint two independent directors to the Audit Committee.

The Compensation Committee determines the compensation to be paid to all executive officers of the Company, including the Chief Executive Officer. The Compensation Committee also administers the Company's 1997 Equity Incentive Plan, including the grant of stock options and other awards under the Equity Plan. The Compensation Committee, consisting of Dr. Mastran and Mr. Ruddy, was also formed in January, 1997 and has not held any meetings. The Company intends to appoint two independent directors to the Compensation Committee or to a separate committee that will administer executive officer compensation.

1997 DIRECTOR STOCK OPTION PLAN

All of the directors who are not employees of the Company or of any subsidiary of the Company (the "Eligible Directors") are currently eligible to participate in the Company's 1997 Director Stock Option Plan (the "Director Plan"). Upon the closing of the Company's initial public offering and upon any subsequent election or re-election of an Eligible Director, such director is automatically granted an option to purchase 2,000 shares of Common Stock for each year of the term of office for which such director has been elected (the "Options"). The Options become exercisable with respect to 2,000 shares on the date of grant, and if such Option is for more than 2,000 shares, such Option shall become exercisable as to 2,000 shares on the next, or each of the next two annual meetings of shareholders of the Company, as the case may be. The Options have a term of ten years and an exercise price payable in cash or shares of Common Stock. The exercise price for Options granted under the Director Plan is equal to the closing price for the Common Stock on the business day immediately preceding the date of grant, as reported on the New York Stock Exchange.

EXECUTIVE COMPENSATION

The following table sets forth certain information concerning compensation paid with respect to services rendered in the fiscal year ended September 30, 1996 to the Company's Chief Executive Officer and four most highly compensated executive officers of the Company, whose total salary for such fiscal year exceeded $100,000 (collectively, the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION(1)		ALL OTHER COMPENSATION(3)
	SALARY	BONUS(2)	
<S>	<C>	<C>	<C>
David V. Mastran President and Chief Executive Officer	$311,538	$190,039	--
Raymond B. Ruddy Chairman of the Board, Vice President of the Company, President of Consulting Services	300,000	177,165	$ 12,000
Ilene R. Baylinson President of Disability Services Division	181,731	200,175(4)	6,375
Lynn P. Davenport President of Human Services Division	212,884	246,067(4)	6,063
Susan D. Pepin President of Systems Planning and Integration Division	184,358	212,883(4)	7,374

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(1) In accordance with the rules of the Securities and Exchange Commission, other compensation in the form of perquisites and other personal benefits has been omitted in those instances where the aggregate amount of such perquisites and other personal benefits constituted less than the lesser of $50,000 or 10% of the total amount of annual salary and bonus for the executive officer for the year ended September 30, 1996.

(2) Bonuses earned for the year ended September 30, 1996 were paid on September 30, 1996 for Mr. Ruddy and Ms. Baylinson, on October 21, 1996 for Dr. Mastran, and on December 19, 1996 for Mr. Davenport and Ms. Pepin.

(3) The figures in this column represent the amount contributed by the Company to the employee under the Company's 401(k) Plan.

(4) Excludes rights to purchase shares of Common Stock at the price of $1.46 per share granted to Ms. Baylinson, Mr. Davenport and Ms. Pepin as part of their compensation for the year ended September 30, 1996. Such purchase rights applied to 34,650, 110,000 and 110,000 shares for Ms. Baylinson, Mr. Davenport and Ms. Pepin, respectively. These executives surrendered their purchase rights in exchange for options granted on January 31, 1997 under the 1997 Equity Incentive Plan exercisable for the same number of shares at an exercise price of $1.46 per share.

STOCK PLANS

1997 Equity Incentive Plan. The Company's 1997 Equity Incentive Plan (the "Equity Plan") authorizes the grant of incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and non-qualified stock options for the purchase of an aggregate of 1,000,000 shares (subject to adjustment for stock splits and similar capital changes) of Common Stock to employees of the Company and, in the case of non-qualified stock options, to consultants of the Company or any Affiliate (as defined in the Equity Plan) capable of contributing to the Company's performance. Grants of options under the Equity Plan and all questions of interpretations with respect to the Equity Plan are determined by the Board of Directors of the Company. The Board of Directors has appointed the Compensation Committee to administer the Equity Plan. As of the date of this Prospectus, options to purchase 403,975 shares had been granted under the Equity Plan.

1997 Employee Stock Purchase Plan. The Company has also adopted an employee stock purchase plan (the "Purchase Plan") under which employees may purchase shares of Common Stock at a discount from fair market value. There are 500,000 shares of Common Stock reserved for issuance under the Purchase Plan. To date, no shares of Common Stock have been issued under the Purchase Plan. The Purchase Plan is intended to qualify as an employee stock purchase plan within the meaning of Section 423 of the Code. Rights to purchase Common Stock under the Purchase Plan are granted at the discretion of the Compensation Committee, which determines the frequency and duration of individual offerings under the Plan and the dates on which stock may be purchased. Eligible employees participate voluntarily and may withdraw from any offering at any time before stock is purchased. Participation terminates automatically upon termination of employment. The purchase price per share of Common Stock in an offering is 85% of the lesser of its fair market value at the beginning of the offering period or on the applicable exercise date and may be paid through payroll deductions, periodic lump sum payments or a combination of both. The Purchase Plan terminates on January 31, 2007. No shares have been or will be issued under the Purchase Plan until after the closing of this offering.

401(K) PLAN

The Company has a 401(k) savings and retirement plan (the "401(k) Plan") which covers substantially all employees of the Company. The 401(k) Plan allows participants to agree to certain salary deferrals which the Company allocates to the participants' plan account. These amounts may not exceed statutorily mandated annual limits set forth in the Internal Revenue Code of 1986, as amended. During the Company's most recent fiscal year, the Company matched employee contributions to the 401(k) Plan dollar-for-dollar for the first four percent of the employee's gross salary contributed to the plan per calendar year.

AGREEMENTS WITH EXECUTIVES

Before the closing of this offering, the Company will have entered into Executive Employment, Non-Compete, Confidentiality and Stock Restriction Agreements with Dr. Mastran, Mr. Ruddy, Mr. Beliveau, Ms. Baylinson, Ms. Pepin and Mr. Davenport (each, an "Executive Agreement") pursuant to which each individual will agree to serve as an officer of the Company. Pursuant to the terms of the Executive Agreements, the officer will be entitled to a base salary and a year end bonus consistent with the Company's past practices. The initial base salary for each of Dr. Mastran, Mr. Ruddy, Mr. Beliveau, Ms. Baylinson, Ms. Pepin and Mr. Davenport will be $350,000, $350,000, $237,500, $182,000, $220,000 and $250,000, respectively. The term of the employment obligation under each Executive Agreement will be four years subject to the right of the Company to terminate each officer if the officer breaches any material duty or obligation to the Company or engages in certain other proscribed conduct. Each Executive Agreement also will provide that the officer will not compete with the Company for four years and will maintain the Company's trade secrets in strict confidence. In addition, the Executive Agreements will restrict the ability of each officer to sell or transfer shares of Common Stock of the Company held by such officer during a four year period following this offering and will grant to the officer certain piggyback registration rights with respect to such shares. See "Shares Eligible for Future Sale."

In the Executive Agreements with each of Raymond B. Ruddy and David V. Mastran, such executives will agree to vote their shares in favor of the election of the other to the Board of Directors, as long as each of such executives owns or controls at least 20% of the outstanding Common Stock. In addition, Mr. Ruddy will agree in his Executive Agreement to vote his shares of Common Stock in a manner consistent with instructions received from Dr. Mastran during the four year period commencing on the closing of this offering.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee was not in existence prior to January 1997. Accordingly, Dr. Mastran and Messrs. Ruddy and Beliveau consulted one another regarding executive officer compensation matters, with Dr. Mastran retaining sole responsibility for any and all final decisions.

CERTAIN TRANSACTIONS

In January 1995, the Company loaned to Russell A. Beliveau, President of Government Operations Group and a Director of the Company, the aggregate principal amount of $64,860, evidenced by an interest bearing promissory note. The note was repaid in full in September 1996.

In May 1995, the Company entered into a Stock Purchase Agreement with Raymond B. Ruddy, under which the parties agreed that the Company will purchase up to 2,878,040 of Mr. Ruddy's shares of Common Stock over a four year period, subject to various conditions including an election by Mr. Ruddy after each fiscal year end to demand such sale. This agreement will terminate upon completion of this offering.

In March, 1996, the Company loaned to Lynn P. Davenport, President of Human Services Division, the aggregate principal amount of $85,000, evidenced by an interest bearing promissory note. The note was repaid in full in January 1997.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth certain information regarding the beneficial ownership of Common Stock immediately prior to this offering, and as adjusted to reflect the sale of the shares offered hereby, by: (i) each person known by the Company to own beneficially five percent or more of the outstanding shares of Common Stock; (ii) each of the Company's directors; (iii) each of the Named Executive Officers; (iv) each Selling Shareholder; and (v) all directors and executive officers of the Company as a group. The Company believes 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. Unless otherwise indicated, each of the Company's shareholders has an address in care of the Company's principal

executive offices.

NAME	BENEFICIAL OWNERSHIP PRIOR TO OFFERING(1)(2) NUMBER OF SHARES	PERCENT	NUMBER OF SHARES BEING OFFERED(2)	BENEFICIAL OWNERSHIP AFTER OFFERING(1) NUMBER OF SHARES	PERCENT
David V. Mastran......................	6,050,000	54.5%	911,276	5,138,724	37.2%
Raymond B. Ruddy......................	4,088,370	36.8	609,377	3,478,993	25.2
Russell A. Beliveau...................	253,000	2.3	36,879	216,121	1.6
F. Arthur Nerret......................	4,125	*	0	4,125	*
Ilene R. Baylinson....................	48,400	*	7,056	41,344	*
Lynn P. Davenport.....................	343,200	3.1	50,027	293,173	2.1
Donna J. Muldoon......................	116,325	1.0	16,957	99,368	*
Susan D. Pepin........................	288,200	2.6	42,010	246,190	1.8
Robert J. Muzzio......................	143,550	1.3	20,925	122,625	*
All Directors and Executive Officers as a group (9 persons).............	11,335,170	99.6	1,694,507	9,640,663	68.4
William F. Dinneen....................	6,050	*	882	5,168	*
David A. Hogan........................	11,000	*	1,604	9,396	*
Philip A. Richardson..................	15,675	*	2,285	13,390	*
Robert L. Sarno.......................	4,950	*	722	4,228	*

- ------------------------------

* Less than 1%

(1) Applicable percentage of ownership prior to this offering is based upon 11,109,945 shares of Common Stock outstanding. For ownership after completion of this offering, applicable percentage ownership is based on 13,809,945 shares of Common Stock outstanding and assumes no exercise of the Underwriters' over-allotment option. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, and includes voting and investment power with respect to the shares shown as beneficially owned. 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. Upon the closing of this offering, each of the following Selling Shareholders will beneficially own fully exercisable options to purchase that number of shares of Common Stock set forth after his or her respective name: Ms. Baylinson, 34,650; Mr. Beliveau, 12,100; Mr. Davenport, 110,000; Mr. Dinneen, 2,750; Mr. Hogan, 6,050; Ms. Muldoon, 3,575; Mr. Muzzio, 3,575; Ms. Pepin, 110,000; Mr. Richardson, 8,880; and Mr. Sarno, 2,200. All directors and executive officers as a group are deemed to beneficially own an aggregate of 275,825 shares of Common Stock issuable upon the exercise of options which will be fully exercisable within 60 days.

(2) If the over-allotment option is exercised in full, each of the following Selling Shareholders will sell that number of additional shares of Common Stock set forth after his or her respective name equal to an aggregate of 660,000 shares of Common Stock: Ms. Baylinson, 2,773; Mr. Beliveau, 14,494; Mr. Davenport, 19,661; Mr. Dinneen, 347; Mr. Hogan, 631; Dr. Mastran, 353,293; Ms. Muldoon, 6,664; Mr. Muzzio, 8,224; Ms. Pepin, 16,510; Mr.

Richardson, 898; Mr. Ruddy, 236,221; and Mr. Sarno, 284.

DESCRIPTION OF CAPITAL STOCK

The following summary describes the material terms of the Company's Common Stock. Such summary is subject to, and qualified in its entirety by, applicable law and the provisions of the Company's Amended and Restated Articles of Incorporation (the "Restated Articles") and the Company's Amended and Restated By-Laws (the "Restated By-Laws"), each to be effective immediately prior to the closing of this offering and both of which are included as exhibits to the Registration Statement of which this Prospectus is a part. See "Additional Information." The authorized capital stock of the Company consists of 30,000,000 shares of Common Stock, no par value per share, of which 11,109,945 shares were outstanding immediately prior to this offering.

COMMON STOCK

Holders of Common Stock are entitled to one vote for each share held on all

matters submitted to a vote of shareholders and do not have cumulative voting rights. Accordingly, holders of a majority of the outstanding shares of Common Stock entitled to vote in any election of directors may elect all of the directors standing for election. Holders of Common Stock are entitled to receive ratably such dividends, if any, as may be declared by the Board of Directors out of funds legally available therefor. Upon the liquidation, dissolution or winding-up of the Company, holders of Common Stock are entitled to receive ratably the net assets of the Company available for distribution after the payment of all debts and other liabilities of the Company. Holders of Common Stock have no preemptive, subscription, redemption or conversion rights. The outstanding shares of Common Stock are, and the shares offered hereby will be, when issued and paid for, fully paid and nonassessable. The rights, preferences and privileges of holders of Common Stock are subject to, and may adversely be affected by, the rights of holders of shares of any series of Preferred Stock that the Company may authorize, designate and issue in the future.

Prior to this offering the outstanding Common Stock was held of record by 21 shareholders. After giving effect to the issuance of the shares of Common Stock offered by the Company (assuming no exercise of the Underwriters' overallotment option), there will be 13,809,945 shares of Common Stock outstanding, plus an additional 403,975 shares of Common Stock issuable upon exercise of options exercisable upon the closing of the offering.

LIMITATION OF LIABILITY

The Restated Articles limit the liability of the Company's directors and officers to the maximum extent permitted by Virginia law. Thus, the directors and officers of the Company shall not be personally liable to the Company or its shareholders for any breach of any duty based upon any act or omission, except for an act or omission; (i) resulting from such person's willful misconduct; or (ii) in knowing violation of criminal law or any federal or state securities law.

ANTI-TAKEOVER PROVISIONS OF THE ARTICLES OF INCORPORATION AND BY-LAWS

The Restated Articles prohibit the Company's shareholders from taking any action, or consenting to any action, by unanimous written consent without a meeting. The Company's Restated Articles also provide that the directors of the Company shall be classified into three classes, with staggered three-year terms. See "Management -- Board of Directors." Any director may be removed only for cause upon the affirmative vote of at least a majority of the shares entitled to vote for the election of directors.

The Company's Restated By-Laws provide that for nominations for the Board of Directors or for other business to be properly brought by a shareholder before a meeting of shareholders, the shareholder must first have given timely notice thereof in writing to the Chairman of the Board, if any, the President or the Secretary of the Company. To be timely, a notice must be delivered to or mailed and received not less than 45 days before the meeting of the shareholders; provided, however, that if less than 60 days notice or prior public disclosure of the date of the meeting is given to shareholders, notice by the shareholder, to be timely, must be received no later than the close of business on the 15th day following the day on which such notice or public disclosure of the meeting date was made. The notice must contain, among other things, certain information

about the shareholder delivering the notice and, as applicable, background information about each nominee or a description of the proposed business to be brought before the meeting. The Company's Restated By-Laws also provide that special meetings of shareholders may be called only by the President or a majority of the Board of Directors of the Company. These provisions could have the effect of delaying, until the next annual shareholders meeting, holder actions that are favored by the holders of a majority of the outstanding voting securities of the Company.

The foregoing provisions could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, control of the Company.

ANTI-TAKEOVER PROVISIONS OF VIRGINIA LAW

Restrictions on Affiliated Transactions. The Virginia Stock Corporation Act (the "VSCA") requires the approval of certain material transactions (an "Affiliated Transaction") between a Virginia corporation and any beneficial holder of more than 10% of any class of its outstanding voting shares (an "Interested Shareholder") by the other holders of voting shares. Affiliated Transactions include any merger, share exchange or material disposition of corporate assets not in the ordinary course of business involving an Interested Shareholder, any dissolution of the corporation proposed by or on behalf of an

Interested Shareholder, or any reclassification, including reverse stock splits, recapitalizations or mergers of the corporation with its subsidiaries which increases the percentage of voting shares owned beneficially by an Interested Shareholder by more than 5%.

These provisions were designed to deter certain takeovers of Virginia corporations. In addition, the statute provides that, by affirmative vote of a majority of the voting shares other than shares owned by any Interested Shareholder, a corporation can adopt an amendment to its articles of incorporation or bylaws providing that the Affiliated Transactions provisions shall not apply to the corporation. On February 2, 1997, the Company, by action of its shareholders, adopted such an amendment to its Articles of Incorporation. The amendment will become effective eighteen months after the date of its adoption. Any subsequent amendment eliminating the election not to be governed by this statute would not restrict an Affiliated Transaction between the Company and an Interested Shareholder existing at the time of such subsequent amendment.

Voting Restrictions Arising from Control Share Acquisitions. The VSCA also contains provisions governing "Control Share Acquisitions." These provide that shares of a Virginia public issuer acquired in a transaction that would cause the voting strength of the acquiring person and its associates to meet or exceed any of three thresholds (20%, 33 1/3% or 50%) have no voting rights unless granted by a majority vote of shares not owned by the acquiring person or any officer or employee-director of the Virginia public issuer. An acquiring person may require the Virginia public issuer to hold a special meeting of shareholders to consider the matter within 50 days of the request. The Company has "opted out" of the Control Share Acquisitions provisions.

Fiduciary Duty of Directors. The provisions of the VSCA governing Affiliated Transactions and those governing Control Share Acquisitions explicitly provide a statutory standard of care for directors, which applies to all aspects of a Board's actions in responding to a tender offer. Specifically, the VSCA states that a director shall discharge his duties as a director in accordance with his good faith business judgment of the best interests of the corporation, and, in determining the best interests of the corporation, a director may consider the possibility that those interests may best be served by the continued independence of the corporation.

TRANSFER AGENT

The transfer agent and registrar for the Common Stock is American Stock Transfer & Trust Company.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, the Company will have 13,809,945 shares of Common Stock outstanding, assuming no exercise of the Underwriters' over-allotment option or of any other outstanding options, warrants or other rights to purchase Common Stock. Of these shares, the 4,400,000 shares sold in this offering will be freely tradable, without restriction or further registration under the Securities Act, except for shares purchased by "affiliates" of the Company as that term is defined in Rule 144 under the Securities Act. In general, affiliates include directors, executive officers and holders of 10% or more of the outstanding Common Stock.

The remaining 9,409,945 outstanding shares of Common Stock are owned by existing shareholders. In addition, a total of 403,975 shares of Common Stock are issuable upon exercise of outstanding stock options exercisable upon the closing of this offering. All such shares, and any shares issued upon exercise of such options are deemed "Restricted Shares" under Rule 144. These may not be resold, except pursuant to an effective registration statement or an applicable exemption from registration. Upon expiration of the 180 day lock-up agreements described below, all such shares will be eligible for sale under Rules 144 and 701.

In general, under Rule 144, giving effect to amendments that will become effective on April 29, 1997, a person (or persons whose shares are aggregated), including an affiliate, who has beneficially owned Restricted Shares for at least one year from the later of the date such Restricted Shares were acquired from the Company and (if applicable) the date they were acquired from an affiliate, is entitled to sell, within any three-month period, a number of shares that does not exceed the greater of 1% of the then outstanding shares of Common Stock or the average weekly trading volume in the public market during the four calendar weeks preceding such sale. Since the Restricted Shares were

acquired in connection with the shareholder's employment pursuant to an exemption from registration under Rule 701 of the Securities Act, but for the lock-up agreements discussed below, such Restricted Shares would be eligible for sale under Rule 144 commencing 90 days after the effective date of this offering regardless of when such Restricted Shares were acquired. Except in the case of Restricted Shares held by persons other than affiliates for more than two years, sales under Rule 144 are also subject to certain requirements as to the manner of sale. In addition, sales of Restricted Shares and any other shares of Common Stock held by affiliates under Rule 144 are subject to notice of sale, the availability of public information concerning the Company and volume limitations.

The Company's directors and executive officers and its existing shareholders have agreed that they will not, without the prior consent of Donaldson, Lufkin & Jenrette Securities Corporation offer to sell, sell, contract to sell, grant any options to sell or otherwise dispose of or require the Company to file with the Commission a registration statement under the Act to register any shares of Common Stock during the 180-day period following the effective date of the Registration Statement. In addition, pursuant to the Executive Agreements, Dr. Mastran, Mr. Ruddy, Mr. Beliveau, Ms. Baylinson, Ms. Pepin and Mr. Davenport have agreed for the four year period commencing at the closing of this offering not to offer, sell, assign, grant a participation in, pledge or otherwise transfer any of their respective shares of Common Stock of the Company without the prior written consent of the Company other than: (i) to certain permitted transferees; (ii) as may be required by applicable federal or state law or regulation; or (iii) pursuant to a registration of such shares. Because these agreements will be between the Company and each executive officer and may be waived by the Company at any time, investors should not rely on the stock restrictions contained therein.

At the completion of this offering, Dr. Mastran, Mr. Ruddy, Mr. Beliveau, Ms. Baylinson, Ms. Pepin and Mr. Davenport (the "Rightsholders"), will be entitled to certain piggyback rights with respect to registration under the Securities Act, for resale to the public, of an aggregate of 9,414,545 shares of Common Stock (including 266,750 shares of Common Stock issuable upon exercise of outstanding stock options exercisable upon the closing of this offering) (collectively, the "Registrable Shares") under the terms of each Rightsholder's Executive Agreement with the Company. If the Company proposes to register shares of Common Stock in an underwritten offering under the Securities Act, the Rightsholders will be entitled to include Registrable Shares in such registration, subject to certain conditions and limitations, which include the right of the managing underwriter of any such offering to exclude Registrable Shares from such registration;

provided, however, that the Registrable Shares shall not be reduced to less than an amount equal to 25% of the total number of shares to be registered.

The Company plans to file registration statements under the Securities Act to register 1,000,000, 100,000 and 500,000 shares of Common Stock issuable under the Equity Plan, the Director Plan and the Stock Purchase Plan, respectively. Upon registration, such shares are eligible for immediate resale upon exercise, subject, in the case of affiliates, to the volume and notice requirements of Rule 144.

No prediction can be made as to the effect, if any, that sales of additional shares or the availability of such additional shares for sale will have on the market price of the Common Stock. No assurance can be given, however, that sales of substantial amounts of Common Stock in the public market will not have an adverse impact on the market price for the Common Stock. See "Risk Factors -- Shares Eligible for Future Sale."

UNDERWRITING

Subject to certain terms and conditions of the Underwriting Agreement, the underwriters named below (the "Underwriters"), for whom Donaldson, Lufkin & Jenrette Securities Corporation and Lehman Brothers Inc. are acting as Representatives (the "Representatives"), have severally agreed to purchase from the Company and the Selling Shareholders, and the Company and the Selling Shareholders have agreed severally to sell to each of the Underwriters, the number of shares of Common Stock (the "Shares") set forth opposite their respective names at the initial public offering price per share less the underwriting discounts and commissions set forth on the cover of this Prospectus.

<TABLE>

<CAPTION>

UNDERWRITERS <S>	NUMBER OF SHARES <C>
Donaldson, Lufkin & Jenrette Securities Corporation......................	
Lehman Brothers Inc...	

Total..	4,400,000
	===========

</TABLE>

The Underwriting Agreement provides that the obligations of the several Underwriters to purchase the Shares are subject to approval of certain legal matters by their counsel and to certain other conditions. If any of the Shares are purchased by the Underwriters pursuant to the Underwriting Agreement, the Underwriters are obligated to purchase all Shares (other than those covered by the over-allotment option described below).

The Company and the Selling Shareholders have been advised by the Underwriters that they propose to offer the Shares to the public initially at the price to the public set forth on the cover page of this Prospectus and to certain dealers at such price, less a concession not in excess of $ per Share. The Underwriters may allow, and such dealers may re-allow, a concession not in excess of $ per Share to certain other dealers. After this offering, the offering price and other selling terms may be changed by the Underwriters.

Pursuant to the Underwriting Agreement, certain Selling Shareholders have granted to the Underwriters an option, exercisable not later than 30 calendar days from the date of the Underwriting Agreement, to purchase up to an aggregate 660,000 of additional Shares at the initial offering price set forth on the cover page of this Prospectus, less the underwriting discounts and commissions, solely to cover over-allotments.

To the extent that the Underwriters exercise such option, each of the Underwriters will have a firm commitment to purchase approximately the same percentage of the option shares as the number of Shares to be purchased by it shown in the above table bears to the total number of Shares shown in the above table, and the Selling Shareholders will be obligated, pursuant to the option, to sell such shares to the Underwriters. The Underwriters may exercise such option only to cover over-allotments made in connection with the sale of the Shares. If purchased, the Underwriters will sell such additional 660,000 shares on the same terms as those on which the Shares are being offered.

The Underwriting Agreement contains covenants of indemnity among the Underwriters, the Company and the Selling Shareholders against certain civil liabilities, including liabilities under the Securities Act.

The Company and each of its directors, executive officers, shareholders and optionholders who will own in the aggregate 9,813,920 shares of Common Stock after this offering, including 403,975 shares of Common Stock issuable upon exercise of outstanding stock options exercisable upon the closing of this offering

(assuming no exercise of the Underwriters' over-allotment option), each have agreed that during the 180-day period after the date of this Prospectus they will not, without the prior written consent of Donaldson, Lufkin & Jenrette Securities Corporation, sell, offer to sell, contract to sell, grant any options to purchase or otherwise dispose of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, other than the Shares, except that the Company may issue shares upon the exercise of stock options granted prior to the execution of the Underwriting Agreement, and may grant additional options under the Equity Plan, provided that, without the prior written consent of Donaldson, Lufkin & Jenrette Securities Corporation, such options shall not be exercisable during such period.

In connection with this offering, the Underwriters have advised the Company that, pursuant to Regulation M under the Exchange Act, certain persons participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the price of the Common Stock. Specifically, the Underwriters may overallot this offering, creating a syndicate short position. In addition, the Underwriters may bid for and purchase shares of Common Stock in the open market to cover syndicate short positions or to stabilize the price of the Common Stock. Finally, the underwriting syndicate may reclaim selling

concessions from syndicate members in this offering, if the syndicate repurchases previously distributed Common Stock in syndicate covering transactions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Common Stock above independent market levels. The Underwriters have advised the Company that such transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

The Representatives have informed the Company and the Selling Shareholders that the Underwriters do not intend to confirm sales to any discretionary accounts without prior specific written approval of the client.

Prior to this offering, there has been no public market for the shares of Common Stock. The initial public offering price will be negotiated among the Company, the Selling Shareholders and the Representatives. Among the factors to be considered in determining the initial public offering price of the Common Stock, in addition to prevailing market conditions, are the Company's historical performance, estimates of the business potential and earnings prospects of the Company, an assessment of the Company's management and the consideration of the above factors in relation to market valuations of companies in related businesses.

LEGAL MATTERS

The validity of the shares of Common Stock offered hereby will be passed upon for the Company by Palmer & Dodge LLP, Boston, Massachusetts. Certain legal matters in connection with this offering will be passed upon for the Underwriters by Winston & Strawn, Chicago, Illinois.

EXPERTS

The financial statements of the Company as of September 30, 1995 and 1996 and for each of the three years in the period ended September 30, 1996 included in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon appearing elsewhere herein, and are included in reliance on such report given upon the authority of such firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-1 (the "Registration Statement") under the Securities Act, with respect to the shares of Common Stock offered hereby. This Prospectus, which constitutes part of the Registration Statement, does not contain all of the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. For further information with respect to the Company and the Common Stock, reference is made to the Registration Statement and the exhibits and schedules filed therewith. This Prospectus contains accurate summaries of the material terms

of certain contracts or other documents filed as exhibits to the Registration Statement. Such summaries are qualified in all respects by reference to the copies of such contracts or other documents filed as exhibits to the Registration Statement. A copy of the Registration Statement may be inspected without charge at the principal office of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, and copies of all or any part thereof may be obtained from the Commission upon the payment of certain fees prescribed by the Commission. Such reports and other information can also be reviewed through the Commission's Web site on the Internet (http://www.sec.gov).

"Helping Government Serve the People" and MAXSTAR are trademarks of the Company. All other trademarks and registered trademarks used in this Prospectus

are the property of their respective owners.

MAXIMUS, INC.

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
MAXIMUS, Inc.

We have audited the accompanying balance sheets of MAXIMUS, Inc. as of September 30, 1995 and 1996, and the related statements of income, changes in redeemable common stock and retained earnings, and cash flows for each of the three years in the period ended September 30, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MAXIMUS, Inc. at September 30, 1995 and 1996, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 1996, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Washington, D.C.
February 7, 1997

MAXIMUS, INC.

BALANCE SHEETS
(DOLLARS IN THOUSANDS)

	SEPTEMBER 30, 1995	SEPTEMBER 30, 1996	DECEMBER 31, 1996 (UNAUDITED)	PRO FORMA DECEMBER 31, 1996 (UNAUDITED -- NOTE 3)
ASSETS				
Current assets:				
Cash and cash equivalents	$ 2,502	$ 2,326	$ 4,164	$ 4,164
Short-term investments	--	1,007	1,007	1,007

Accounts receivable, net	15,941	25,352	29,937	29,937
Costs and estimated earnings in excess of billings	776	2,949	4,847	4,847
Prepaid expenses and other current assets	354	605	604	604
Total current assets	19,573	32,239	40,559	40,559
Property and equipment at cost:				
Land	662	662	662	662
Building and improvements	1,627	1,676	1,679	1,679
Office furniture and equipment	913	1,206	1,212	1,212
Leasehold improvements	188	188	188	188
	3,390	3,732	3,741	3,741
Less: Accumulated depreciation and amortization	(810)	(1,096)	(1,166)	(1,166)
Total property and equipment, net	2,580	2,636	2,575	2,575
Other assets	517	618	722	722
Total assets	$22,670	$35,493	$ 43,856	$ 43,856
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$ 2,200	$ 2,043	$ 4,415	$ 4,415
Accrued compensation and benefits	793	1,912	2,829	2,829
Billings in excess of costs and estimated earnings	3,118	5,208	6,527	6,527
Income taxes payable	41	19	46	46
Deferred income taxes	237	357	387	1,090
Dividend payable	--	--	--	17,500
Total current liabilities	6,389	9,539	14,204	32,407
Deferred income taxes	--	--	--	4,584
Commitments and contingencies (Notes 6, 9 and 10)				
Redeemable common stock:				
No par value; 30,000,000 shares authorized; 11,210,870, 11,453,145, 11,453,145 shares issued and outstanding, at redemption amount	10,575	16,757	18,790	--
Shareholders' equity:				
Common stock, no par value; 30,000,000 shares authorized; 11,453,145 pro forma shares issued and outstanding, at stated amount	--	--	--	11,965
Retained earnings (deficit)	5,706	9,197	10,862	(5,100)
Total shareholders' equity	5,706	9,197	10,862	6,865
Total liabilities and shareholders' equity	$22,670	$35,493	$ 43,856	$ 43,856

</TABLE>

See notes to financial statements.

MAXIMUS, INC.

STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	YEARS ENDED SEPTEMBER 30,			THREE MONTHS ENDED DECEMBER 31,	
	1994	1995	1996	1995 (UNAUDITED)	1996 (UNAUDITED)
<S>	<C>	<C>	<C>	<C>	<C>
Revenues	$29,860	$51,963	$103,113	$16,700	$37,244
Cost of revenues	21,716	36,071	78,429	12,027	29,534
Gross profit	8,144	15,892	24,684	4,673	7,710
Selling, general and administrative expenses	6,979	9,078	13,104	2,742	4,039
Income from operations	1,165	6,814	11,580	1,931	3,671
Interest and other income	80	169	264	53	84
Income before income taxes	1,245	6,983	11,844	1,984	3,755
Provision (benefit) for income taxes	(5)	124	225	40	57
Net income	$ 1,250	$ 6,859	$ 11,619	$ 1,944	$ 3,698
Pro forma data (Unaudited -- Note 3)					
Historical income before income taxes			$ 11,844		$ 3,755
Pro forma income tax expense			4,738		1,502

Pro forma net income	$ 7,106	$ 2,253
Pro forma net income per share	$ 0.59	$ 0.19
Shares used in computing pro forma net income per share	12,105	12,140

</TABLE>

See notes to financial statements.

MAXIMUS, INC.

STATEMENTS OF CHANGES IN REDEEMABLE COMMON STOCK AND RETAINED EARNINGS

(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

<S>	REDEEMABLE COMMON STOCK <C>	RETAINED EARNINGS <C>
Balance at September 30, 1993	$ 6,971	$ 2,484
Purchase of redeemable common stock from employees	(293)	--
Issuance of redeemable common stock to employees	148	--
Net income	--	1,250
Adjustment to redemption value of redeemable common stock	63	(63)
S Corporation distributions	--	(750)
Balance at September 30, 1994	6,889	2,921
Purchase of redeemable common stock from employees	(548)	--
Issuance of redeemable common stock to employees	277	--
Net income	--	6,859
Adjustment to redemption value of redeemable common stock	3,957	(3,957)
S Corporation distributions	--	(117)
Balance at September 30, 1995	10,575	5,706
Issuance of redeemable common stock to employees	229	--
Net income	--	11,619
Adjustment to redemption value of redeemable common stock	5,953	(5,953)
S Corporation distributions	--	(2,175)
Balance at September 30, 1996	16,757	9,197
Net income (unaudited)	--	3,698
Adjustment to redemption value of redeemable common stock (unaudited)	2,033	(2,033)
Balance at December 31, 1996 (unaudited)	$ 18,790	$ 10,862

</TABLE>

See notes to financial statements.

MAXIMUS, INC.

STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	YEARS ENDED SEPTEMBER 30,			THREE MONTHS ENDED DECEMBER 31,	
<S>	1994 <C>	1995 <C>	1996 <C>	1995 (UNAUDITED) <C>	1996 (UNAUDITED) <C>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	$ 1,250	$ 6,859	$11,619	$ 1,944	$ 3,698
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation	172	168	307	51	70
Other	11	--	(22)	--	--
Changes in assets and liabilities:					
Accounts receivable, net	(3,162)	(6,646)	(9,411)	(1,454)	(4,585)
Costs and estimated earnings in excess of billings	195	1,587	(2,173)	(1,379)	(1,898)
Prepaid expenses and other current assets	(166)	245	(251)	(68)	1

Other assets	(189)	(124)	(101)	(27)	(104)
Accounts payable	(271)	1,680	(157)	455	2,372
Accrued compensation and benefits	109	161	1,119	1,194	917
Billings in excess of costs and estimated earnings	2,405	(1,154)	2,090	771	1,319
Income taxes payable	(23)	41	(22)	(34)	27
Deferred income taxes	(20)	62	120	74	30
Net cash provided by operating activities	311	2,879	3,118	1,527	1,847
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property and equipment	(317)	(180)	(348)	(60)	(9)
Purchase of short-term investments	--	--	(1,000)	--	--
Net cash used in investing activities	(317)	(180)	(1,348)	(60)	(9)
CASH FLOWS FROM FINANCING ACTIVITIES:					
S Corporation distributions	(750)	(117)	(2,175)	(104)	--
Redeemable common stock purchased	(24)	(548)	--	--	--
Redeemable common stock issued	148	277	229	114	--
Payment of note for purchase of redeemable common stock	(135)	(134)	--	--	--
Net cash provided by (used in) financing activities	(761)	(522)	(1,946)	10	--
Net increase (decrease) in cash and cash equivalents	(767)	2,177	(176)	1,477	1,838
Cash and cash equivalents, beginning of year	1,092	325	2,502	2,502	2,326
Cash and cash equivalents, end of year	$ 325	$ 2,502	$ 2,326	$ 3,979	$ 4,164

</TABLE>

See notes to financial statements.

MAXIMUS, INC.

NOTES TO FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT SHARE AMOUNTS)

1. DESCRIPTION OF BUSINESS

MAXIMUS, Inc. (the "Company") provides a wide range of program management and consulting services to federal, state and local government health and human services agencies. The Company conducts its operations through two groups. The Government Operations Group administers and manages government health and human services programs, including welfare-to-work and job readiness, child support enforcement, managed care enrollment and disability services. The Consulting Group provides health and human services planning, information technology consulting, strategic program evaluation, program improvement, communications planning and assistance in identifying and collecting previously unclaimed federal welfare revenues.

The Company operates predominantly in the United States. Revenues from foreign-based projects were less than 10% for the year ended September 30, 1996.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

Revenue Recognition

The Company generates revenues under various arrangements, generally long-term contracts under which revenues are based on costs incurred plus a negotiated fee, a fixed price or various performance-based criteria. Revenues for cost-plus contracts are recorded as costs are incurred and include a pro rata amount of the negotiated fee. Revenues on long-term fixed price and performance-based contracts 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 financial status of its contracts periodically and adjusts revenues to reflect the 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.

Cash Equivalents

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

Short-Term Investments

Short-term investments consist of interest bearing investments with maturities of less than one year but greater than three months when purchased. These investments are readily convertible to cash and are stated at fair value.

Property and Equipment

Property and equipment is stated at cost and depreciated using the straight-line method based on estimated useful lives of 32 years for the Company's building and between three and ten years for office furniture and equipment. Amortization of leasehold improvements is provided using the straight-line method over the lesser of the life of the improvement or the remaining term of the lease.

Income Taxes

Effective October 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (SFAS 109). The cumulative effect of the change in accounting principle was not material and is included in the provision for income taxes for the year ended September 30, 1994. Under SFAS 109, 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 and its shareholders have elected to be treated as an S corporation under the Internal Revenue Code. Under the provisions of the tax code, the Company's shareholders include their pro rata share of the Company's income in their personal income tax returns. Accordingly, the Company was not subject to federal and most state income taxes during the periods presented. The Company currently anticipates completing an initial public offering of its common stock in 1997 (the "IPO"), which will result in the termination of the Company's S corporation status.

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, short-term investments, accounts receivable and accounts payable, to approximate the fair value of the respective assets and liabilities at September 30, 1995 and 1996.

Interim Financial Information

The financial statements as of December 31, 1996 and for the three months ended December 31, 1995 and 1996 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 normal recurring items, necessary to present fairly the periods indicated. Results of operations for the interim period ended December 31, 1996 are not necessarily indicative of the results for the full fiscal year.

3. PRO FORMA INFORMATION (UNAUDITED)

Pro Forma Balance Sheet

The pro forma balance sheet of the Company as of December 31, 1996 reflects the declaration of a dividend payable to the shareholders, a reclassification of redeemable common stock to reflect elimination of the Company's obligation to purchase its common shares from the shareholders, and the net deferred tax liability which would have been recorded by the Company if its S corporation

status was terminated at that date.

The Company will pay a dividend to its shareholders in connection with the IPO. The dividend (estimated at $17,500) will be paid in part from available cash and in part from proceeds of the offering.

Upon completion of the IPO, the Company's obligation to purchase common shares from its shareholders will terminate. Accordingly, amounts classified as redeemable common stock will be reclassified into shareholders' equity.

The pro forma net deferred tax liability represents the tax effect of the cumulative differences between the financial reporting and income tax basis of certain assets and liabilities as of December 31, 1996. The actual net deferred tax liability recorded will be adjusted to reflect the effect of the Company's operations for the period through the date immediately preceding the termination of its S corporation status.

The Company's income currently taxable to its shareholders as an S corporation has been determined under a cash basis of accounting through September 30, 1996. In the year the Company completes the IPO, it will be required to begin reporting its taxable income on an accrual basis. The cumulative deferred tax obligation for the difference between cash and accrual income will be settled over four years. The Company plans to elect the accrual basis of accounting beginning October 1, 1996, and accordingly, one-fourth of the taxable income related to the cash versus accrual accounting difference will be allocated to the Company's shareholders. The significant items comprising the Company's pro forma net deferred tax liability as of December 31, 1996 are as follows:

PRO FORMA DEFERRED TAX ASSETS-CURRENT:	
Liabilities for costs deductible in future periods	$ 410
Billings in excess of costs and estimated earnings	2,731
Total pro forma deferred tax assets	3,141
PRO FORMA DEFERRED TAX LIABILITIES-CURRENT:	
Cash versus accrual accounting	2,292
Costs and estimated earnings in excess of billings	1,939
Total pro forma deferred tax liabilities	4,231
Pro forma net deferred tax liability-current	1,090
PRO FORMA DEFERRED TAX LIABILITY-NON-CURRENT:	
Cash versus accrual accounting	4,584
Total pro forma net deferred tax liability	$5,674

The pro forma retained earnings (deficit) of $5,100 results from the charge to compensation expense related to stock options granted to employees. See further discussion below under "Pro Forma Statements of Income."

Pro Forma Statements of Income

Upon the closing of the IPO, the Company will terminate its status as an S corporation and will be subject to federal and state income taxes thereafter. Accordingly, the unaudited pro forma data shown on the statements of income includes an adjustment to reflect income tax expense as if the Company had been a C corporation at an estimated combined effective income tax rate of 40%.

In the period the IPO is completed the Company will recognize two significant charges against income. As described above, completion of the IPO will result in the termination of the Company's S corporation status, and the Company will recognize the cumulative deferred tax liability at that time by a charge against income. Based on the pro forma deferred tax liability as of December 31, 1996, the one-time income statement charge would be approximately $5,300.

As discussed in Note 9, in January 1997 the Company issued options to employees to acquire the Company's common stock at a formula price based on book value. Upon completion of the IPO, the Company will recognize a charge against income for the difference between the IPO price and the formula price for all options outstanding. Assuming an IPO price of $14.00 per share, the charge to compensation expense would be approximately $5,100, net of the related income tax benefit, if any.

Pro Forma Net Income Per Share

The pro forma net income per share presented in the accompanying statements of income have been computed giving effect to the assumed issuance, as of the beginning of the pro forma periods presented, of the number of shares of Common Stock necessary to: (i) replace equity to be distributed as a result of the S corporation dividend to the extent such amount exceeds earnings since January 1, 1996; and (ii) give effect to options issued in January 1997 to purchase Common Stock of the Company.

4. COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

Uncompleted contracts consist of the following components:

<TABLE>
<CAPTION>

	BALANCE SHEET CAPTION	
	COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS	BILLINGS IN EXCESS OF COSTS AND ESTIMATED EARNINGS
<S>	<C>	<C>
September 30, 1995:		
Costs and estimated earnings........................	$ 29,702	$48,661
Billings..	28,926	51,779
	$ 776	$ 3,118
September 30, 1996:		
Costs and estimated earnings........................	$ 89,893	$60,489
Billings..	86,944	65,697
	$ 2,949	$ 5,208

</TABLE>

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

5. CREDIT FACILITIES

The Company has a $10 million revolving line of credit with a bank for borrowings and letters of credit. Borrowings under this line bear interest at LIBOR plus 2% and are secured by the Company's accounts receivable. Borrowings are limited to 90 percent of eligible accounts receivable. At September 30, 1995 and 1996, the Company had letters of credit outstanding amounting to $2,139 and $1,210, respectively. There were no outstanding borrowings under the line of credit facility. The Company is required to meet certain conditions on net worth and to maintain certain financial ratios. The credit facility is renewable in March 1997.

6. LEASES

The Company leases office space under various operating leases, the majority of which contain clauses permitting cancellation upon certain conditions. 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, 1994, 1995 and 1996 was $602, $1,150 and $2,282, respectively.

Minimum future payments under these leases are as follows:

<TABLE>

YEARS ENDED SEPTEMBER 30,	
1997	$3,021
1998	2,826
1999	1,558
2000	801
2001	565
Thereafter	138
	$8,909

7. EMPLOYEE 401(K) PLAN

The Company has a 401(k) plan for the benefit of all employees who meet certain eligibility requirements. In the year ended September 30, 1996, the Company implemented a program to match employee contributions. The plan also allows management to make discretionary contributions. The Company made no contributions to the plan during the years ended September 30, 1994 and 1995. During the year ended September 30, 1996, the Company contributed $574 to the plan.

8. INCOME TAXES

The tax provision (benefit) consists of the following state taxes for those states in which the Company, rather than the shareholders, is liable for income taxes:

	YEARS ENDED SEPTEMBER 30,		
	1994	1995	1996
Current tax expense	$ 15	$ 62	$105
Deferred tax expense (benefit)	(20)	62	120
	$ (5)	$124	$225

No federal income taxes have been recorded due to the Company's S corporation status. Upon the closing of the IPO, the Company will terminate its status as an S corporation and will be subject to federal and state income taxes thereafter. In the period the IPO is completed, the Company will recognize the cumulative deferred tax liability by a charge against income. Based on the pro forma deferred tax liability as of December 31, 1996, the one-time income statement charge would be approximately $5,300. See Note 3. Deferred tax liabilities resulting from temporary differences at September 30, 1995 and 1996 are primarily related to use of the cash basis of accounting for income taxes reported in certain states and differences related to revenue recognition. Cash paid for income taxes during the years ended September 30, 1994, 1995 and 1996 was $67, $9 and $110, respectively.

9. SHAREHOLDERS' EQUITY

Redeemable Common Stock

The Shareholders' Agreement, dated January 1996, obligates the Company to purchase all shares offered for sale by the Company's shareholders at a formula price based on the book value of the Company. In addition, shareholders are obligated to sell and the Company is obligated to purchase at the formula price all of the shares owned by the shareholders upon the shareholder's death, disability or termination of employment. Accordingly, the redemption obligation is reflected as redeemable common stock in the

accompanying balance sheets. The Company has insurance polices totaling approximately $18,000 on the lives of its two major shareholders that may be used to fund this obligation.

During 1994, the Company purchased shares of redeemable common stock at the formula price in exchange for a note payable of $269,000. The note was paid in full during 1994 and 1995.

Agreement with Major Shareholder

In May 1995, the Company entered into a Stock Purchase Agreement with one of its shareholders. Under this agreement, the parties agreed that the Company will purchase up to 2,878,040 of its shares owned by the shareholder over a four year period, subject to various conditions including an election by the shareholder after each fiscal year end to demand such sale. Under this agreement, sales will be transacted at the formula price referred to above. This agreement will terminate upon completion of the IPO.

Employee Stock Purchases and Options

The Company entered into agreements at various times with certain employees that provided for the employee to purchase common stock of the Company at the formula price. During the years ended September 30, 1994, 1995 and 1996 the Company sold 126,500, 231,000 and 242,275 shares, respectively, under these arrangements.

In January 1997, the Company issued options to various employees to purchase 403,975 shares of the Company's common stock at the formula price. These options are exercisable at completion of the IPO. The options terminate on June 30, 1997 in the event the IPO has not been completed by that date. If the IPO is completed, the options will have a term of 10 years. These options were granted in exchange for stock purchase rights awarded pursuant to certain pre-existing compensation arrangements with certain of the Company's key employees. The Company does not expect the compensation cost related to these options to be significant to operating results for the quarter ending March 31, 1997. In the period the IPO is completed, the Company will recognize a charge against income for the difference between the IPO price and the formula price for all options outstanding. Assuming an IPO price of $14.00 per share, the charge to compensation expense would be approximately $5,100, net of the related income tax benefit, if any.

Stock Split

In December 1995, the Company effected a 10 for 1 stock split. On February 3, 1997, the Company's shareholders approved an amendment to the Company's articles of incorporation to increase the number of authorized shares to 30,000,000, to eliminate the par value of common stock and to effect an 11 for 1 split of the common stock. Amounts for all periods have been adjusted to reflect the effects of these changes.

10. COMMITMENTS AND CONTINGENCIES

Litigation

On February 3, 1997, the Company was named as a third party defendant by Network Six, Inc. ("Network Six") in a legal action brought by the State of Hawaii against Network Six. Network Six alleges that the Company is liable to Network Six on various grounds. The Company believes Network Six's claims are without merit and intends to vigorously defend this action. The Company believes this action will not have a material adverse effect on its financial condition or results of operations and has not accrued for any loss related to this claim.

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.

DCAA Audits

A substantial portion of payments to the Company from U.S. Government agencies is subject to adjustments upon audit by the Defense Contract Audit Agency (DCAA). 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.

11. 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 agencies located in the United States. At September 30, 1995 and 1996, $8,260 and $14,815, respectively, of the Company's accounts receivable were due from the U.S. Government. Revenues under contracts with various agencies of the United States Government were $7,480, $17,851 and $61,317 for the years ended September 30, 1994, 1995 and 1996, respectively. Of these amounts, $2,943, $14,314 and $56,530 for the years ended September 30, 1994, 1995 and 1996, respectively, were revenues of the government operations segment. As a result of legislation that eliminated certain Social Security Administration program benefits, a contract with the U.S. Government that contributed $56.5 million of contract revenues for the year ended September 30, 1996 was terminated by the United States Government and is expected to conclude in February 1997.

12. BUSINESS SEGMENTS

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

<TABLE>
<CAPTION>

<S>	1994 <C>	1995 <C>	1996 <C>
Revenues:			
Government Operations	$14,723	$31,265	$ 77,211
Consulting	15,137	20,698	25,902
	$29,860	$51,963	$103,113
Income(loss) from operations:			
Government Operations	$(1,878)	$ 1,636	$ 4,936
Consulting	3,043	5,178	6,644
	$ 1,165	$ 6,814	$ 11,580
Identifiable assets:			
Government Operations	$ 5,642	$ 8,962	$ 19,369
Consulting	6,488	8,416	9,910
Corporate	3,417	5,292	6,214
	$15,547	$22,670	$ 35,493
Capital expenditures:			
Government Operations	$ 203	$ 2	$ 4
Consulting	14	19	73
Corporate	100	159	271
	$ 317	$ 180	$ 348
Depreciation and amortization:			
Government Operations	$ 15	$ 5	$ 99
Consulting	17	17	27
Corporate	140	146	181
	$ 172	$ 168	$ 307

</TABLE>

NO DEALER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY OF THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE SHARES BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING THE OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR SALE MADE HEREUNDER SHALL CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANYTIME SUBSEQUENT TO ITS DATE.

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UNTIL   , 1997 (25 DAYS AFTER THE COMMENCEMENT OF THIS OFFERING), ALL DEALERS EFFECTING TRANSACTIONS IN THE COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

==

==

4,400,000 SHARES

[MAXIMUS LOGO]

COMMON STOCK

PROSPECTUS

DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION

LEHMAN BROTHERS

, 1997

==

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The estimated expenses to be paid by the Registrant in connection with this offering are as follows:

<TABLE>

<S>	<C>
SEC registration fee..	$ 24,546
New York Stock Exchange Listing fee......................................	120,000
NASD filing fee and expenses...	8,600
Blue Sky fees and expenses...	15,000
Legal fees and expenses..	200,000
Accounting fees and expenses...	150,000
Printing and engraving expenses..	150,000
Transfer Agent and Registrar fees..	10,000
Miscellaneous expenses...	191,854

TOTAL..	$870,000
	========

</TABLE>

All of the above figures, except the SEC registration fee and NASD filing fee, are estimates.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Registrant's Restated Articles of Incorporation provide that the Registrant's directors and officers shall be indemnified to the full extent required or permitted by 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 Registrant and as shall be permitted by law.

Sections 13.1-697 and 13.1-702 of the VSCA permit the Registrant to indemnify an individual made party to a proceeding because he was a director, officer, employee or agent of the Registrant 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 Registrant's best interests, or, in all other cases, that such conduct was at least not opposed to the Registrant'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 Registrant in which the individual is adjudged liable to the Registrant, 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 Registrant 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 Registrant 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 Registrant.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

(a) Issuances of Common Stock.

Since February 1, 1994, the Registrant has issued and sold the unregistered securities described below. In each case, the number of shares issued and sold reflects a 10-for-1 stock split effected in December 1995 and an 11-for-1 stock split effected February 3, 1997.

On October 1, 1994 the Registrant sold 110,000 shares of Common Stock to Gene DeLucia for an aggregate purchase price of $64,860.

In October 1994, the Registrant sold 77,000 shares of Common Stock to Susan D. Pepin for a purchase price of $45,402.

In January 1995 and October 1995, the Registrant sold 110,000 and 11,000 shares of Common Stock to Russell A. Beliveau for purchase prices of $64,860 and $10,376, respectively.

In January 1996, the Registrant sold an aggregate of 121,275 shares of Common Stock to certain of the Registrant's employees for an aggregate purchase price of $114,438.

(b) Grants and Exercises of Stock Options.

In January 1997, pursuant to the Registrant's 1997 Equity Incentive Plan (the "Plan"), the Registrant granted to certain employees options to purchase an aggregate of 403,975 shares of Common Stock at an exercise price per share of $1.46 exercisable on the closing of the initial public offering. The options expire (i) on June 30, 1997, in the event that the initial public offering has not closed on or prior to that date, or (ii) the earlier of (x) the termination of each respective option holder's employment with the Registrant or (y) ten years from the date of issuance. All of such options are outstanding and none have been exercised, and 596,025 shares of Common Stock remain available for future grant under the Plan.

No underwriter was engaged in connection with the foregoing sales of securities. Sales of Common Stock to employees have been made in reliance upon the exemption for the registration requirements afforded by Section 4(2) of the Securities Act and Rule 701 thereunder as sales of an issuer's securities pursuant to a written contract relating to the compensation of such individuals.

The Registrant has reason to believe that all of the foregoing purchasers were familiar with or had access to information concerning the operations and financial condition of the Registrant, and all of those individuals acquired shares for investment and not with a view to the distribution thereof. At the time of issuance, all of the foregoing shares of Common Stock were deemed to be restricted securities for the purposes of the Securities Act, and the certificates representing such securities bore legends to that effect.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) List of Exhibits

<TABLE>
<CAPTION>

EXHIBIT NUMBER	EXHIBIT
<C>	<S>
1.1	Form of Underwriting Agreement.
3.1	Articles of Incorporation of the Registrant as amended through February 10, 1997.
3.2	Form of Amended and Restated Articles of Incorporation of Registrant, as proposed to be amended and restated.
3.3	By-laws of the Registrant.
3.4	Form of Amended and Restated By-laws of Registrant, as proposed to be amended and restated.
*4.1	Specimen Common Stock Certificate.
*5.1	Opinion of Palmer & Dodge LLP with respect to the legality of the securities being registered.
10.1	1997 Equity Incentive Plan.
10.2	1997 Director Stock Option Plan.
10.3	1997 Employee Stock Purchase Plan.
+10.4	Executive Employment, Non-Compete, Confidentiality and Stock Restriction Agreement by and between the Registrant and David V. Mastran to be executed at the closing of the offering.
+10.5	Executive Employment, Non-Compete, Confidentiality and Stock Restriction Agreement by and between the Registrant and Raymond B. Ruddy to be executed at the closing of the offering.
+10.6	Executive Employment, Non-Compete, Confidentiality and Stock Restriction Agreement by and between the Registrant and Rusell A. Beliveau to be executed at the closing of the offering.

</TABLE>

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+10.7	Executive Employment, Non-Compete, Confidentiality and Stock Restriction Agreement by and between the Registrant and Susan D. Pepin to be executed at the closing of the offering.
+10.8	Executive Employment, Non-Compete, Confidentiality and Stock Restriction Agreement by and between the Registrant and Ilene R. Baylinson to be executed at the closing of the offering.
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10.10	Form of Indemnification Agreement by and between the Registrant and each of the directors of the Registrant.
10.11	Letter Agreement dated June 29, 1995, as amended by the Letter Amendment dated April 10, 1996, between the Registrant and Crestar Bank with respect to a $10 million line of credit, and the Letter Amendment dated February 10, 1997.
+10.12	California Options Project Contract, dated October 1, 1996, by and between the Registrant and the Department of Health Services of the State of California.
11	Statement re Computation of Pro Forma Net Income Per Share.
+23.1	Consent of Ernst & Young LLP, independent auditors.
*23.2	Consent of Palmer & Dodge LLP (included in Exhibit 5.1).
24	Powers of Attorney.
27	Financial Data Schedule.

</TABLE>

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* To be filed by amendment.

\+ Filed herewith.

All other exhibits previously filed.

(b) Financial Statement Schedules

None.

ITEM 17. UNDERTAKINGS

(a) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described under "Item 14 -- Indemnification of Directors and Officers" above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(b) The undersigned registrant hereby undertakes:

(1) to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser;

(2) that, for purposes of determining any liability under the Securities Act, 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; and

(3) that, for purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in the city of McLean, Commonwealth of Virginia, on the 27th day of March, 1997.

MAXIMUS, INC.

By: /s/ F. ARTHUR NERRET

F. Arthur Nerret

Chief Financial Officer

Pursuant to the requirements of the Securities Act, this Amendment No. 1 to the Registration Statement has been signed by the following persons in the capacities indicated.

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<S>	<C>	<C>
DAVID V. MASTRAN*	President, Chief Executive	March 27, 1997

David V. Mastran	Officer and Director (Principal Executive Officer)	
RAYMOND B. RUDDY* Raymond B. Ruddy	Chairman of the Board of Directors	March 27, 1997
/s/ F. ARTHUR NERRET F. Arthur Nerret	Chief Financial Officer (Principal Financial and Accounting Officer)	March 27, 1997
RUSSELL A. BELIVEAU* Russell A. Beliveau	Director	March 27, 1997
LYNN P. DAVENPORT* Lynn P. Davenport	Director	March 27, 1997
ROBERT J. MUZZIO* Robert J. Muzzio	Director	March 27, 1997
DONNA J. MULDOON* Donna J. Muldoon	Director	March 27, 1997
SUSAN D. PEPIN* Susan D. Pepin	Director	March 27, 1997

</TABLE>

* By: /s/ F. ARTHUR NERRET

F. Arthur Nerret

Attorney-in-fact

EXHIBIT INDEX

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24	Powers of Attorney (included on the signature pages attached hereto).
27	Financial Data Schedule.

</TABLE>

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*   To be filed by amendment.

+   Filed herewith.

All other exhibits previously filed.

EXHIBIT 10.4

EXECUTIVE EMPLOYMENT, NON-COMPETE, CONFIDENTIALITY AND STOCK RESTRICTION AGREEMENT

[Mastran]

EMPLOYMENT AGREEMENT entered into this ___ day of ___________, 1997 by and between David V. Mastran (the "Executive") and MAXIMUS, Inc., a Virginia corporation with a usual place of business in McLean, Virginia (the "Corporation").

WHEREAS, Executive is a key employee of the Corporation and a holder of a substantial number of shares of the issued and outstanding capital stock of the Corporation, and

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

1. Employment.

1.1. DUTIES. The Corporation hereby employs the Executive, and the Executive hereby accepts such employment, to serve as the President and Chief Executive Officer of the Corporation. The Executive shall provide day to day management of the Corporation and shall perform such other services and duties as are appropriate to such office. During the term of this Agreement, the Executive shall be a full time employee of the Corporation and shall devote such time and attention to the discharge of his duties as President and Chief Executive Officer as may be necessary and appropriate to accomplish and complete such duties.

1.2. Compensation.

(a) SALARY AND REGULAR YEAR-END BONUS. As compensation for performance of his obligations hereunder, the Corporation shall pay the Executive a salary of not less than $350,000 and regular year-end bonus consistent with the Corporation's past practices.

(b) VACATION, INSURANCE, EXPENSES. The Executive shall be entitled to such vacation benefits, health, disability and life insurance benefits and expense reimbursements in a manner consistent with the Corporation's past practices.

1.3. TERM; TERMINATION. The term of the employment agreement set forth in this Section 1 shall be for a period commencing on the date hereof and continuing until September 30, 2001, provided that this Agreement shall terminate:

(a) by mutual written consent of the parties; or

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

(c) by the Corporation for cause, which shall mean in the event of Executive's breach of any material duty or obligation hereunder, or intentional or grossly negligent conduct that is materially injurious to the Corporation, as reasonably determined by the Corporation's Board of Directors, or willful failure to follow the reasonable directions of the Corporation's Board of Directors.

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

2. NON-COMPETITION.

2.1. UNDERTAKING. The Executive agrees that while the Executive is employed by the Corporation and thereafter, until _____________ [4 years after

the date hereof] (the "Expiration Date"), the Executive shall not, without the Corporation's prior written consent, directly or indirectly, as a principal, employee, consultant, partner, or stockholder of, or in any other capacity with, any business enterprise (other than in the Executive's capacity as a holder of not more than 1% of the combined voting power of the outstanding stock of a publicly held company) (a) engage in direct or indirect competition with the Corporation, (b) conduct a business of the type or character engaged in by the Corporation at the time of termination or cessation of the Executive's employment or (c) develop products or services competitive with those of the Corporation.

2.2. PROHIBITED ACTIVITIES. (a) The Executive agrees that, during his employment with the Corporation, and thereafter for a period of two years after the termination of such employment, the Executive will not engage in any unethical behavior which may adversely affect the Corporation. For the purpose of this Section 2.2, "Unethical Behavior" is defined as:

(1) any attempt, successful or unsuccessful, by the Executive to divert any existing contracts or subcontracts from the Corporation to any other firm, whether or not affiliated with the Executive;

(2) any attempt, successful or unsuccessful by the Executive, to adversely influence clients of the Corporation or organizations with which the Corporation has a contract or a proposal pending as of the date of the Executive's termination from the Corporation;

(3) any attempt, successful or unsuccessful, by the Executive to divert any contracts or subcontracts which are pending as of the date of Executive's termination from the Corporation to any other firm, whether or not affiliated with the Executive;

(4) any attempt, successful or unsuccessful, by the Executive to offer his or services, or to influence any other employee of the Corporation to offer their services, to any firm to compete against the Corporation in the performance of services provided under existing contracts or follow-ons to existing contracts or pending proposals with the Corporation's clients as of the date of the Executive's termination; or

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

(b) The Executive agrees that, in addition to any other remedy available to the Corporation, in the event of a breach by the Executive of the terms of this Section 2.2 the Corporation may set off against any amounts due the Executive, an amount equal to the gross revenues which such Executive, or any entity with which the Executive is employed, affiliated or associated, receives or is entitled to receive, from any existing clients (or potential clients with whom a proposal is pending) of the Corporation during the two-year period provided in this Section 2.2.

(c) The provisions of this Section 2.2 shall continue for a period of two years after termination of the Executive's employment with the Corporation, whether voluntary or involuntary, with or without cause. The Executive shall notify any new employer, partner, association or any other firm or corporation actually or potentially in competition with the Corporation with whom the Executive shall become associated in any capacity whatsoever of the provisions of this Section 2.2 and the Executive agrees that the Corporation may give such notice to such firm, corporation or other person.

2.3. Business Opportunities: Conflicts of Interest: Other Employment and Activities of the Executive.

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

(b) The Executive, in his capacity as an employee of the Corporation, shall not engage in any business with any member of the Executive's immediate family or with any person or business entity in which the Executive or any member of the Executive's immediate family has any ownership interest or financial interest, unless and until the Executive has first fully disclosed such interest to the Board of Directors and received written consent from the Board of Directors, signed by the Chairman of such board. As used herein, the term "immediate family" means the Executive's spouse, natural or adopted children, parents or siblings and the term "financial interest" means any relationship with such person or business entity that may monetarily benefit the

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

(c) The parties hereto acknowledge and agree that the Executive may engage in outside civic, political, social, educational and professional activities and may serve on the boards of directors of other corporations; provided, however, that such activities shall not have priority over or adversely affect or conflict with the business of the Corporation or its clients, or interfere with the mobility of the Executive to fulfill the Executive's duties to the Corporation as a full-time employee and officer and director of the Corporation, as conclusively determined by the Board of Directors of the Corporation.

(d) The parties hereto agree that the Executive may, consistent with this Section 1.3, receive and retain speaking fees, referral fees from business opportunities not accepted by the Corporation, and fees from outside business activities and opportunities of the Executive consented to by the Board of Directors of the Corporation.

3. CONFIDENTIALITY.

3.1. NON-DISCLOSURE. The parties hereto agree that the Corporation's books, records, files and all other information relating to the Corporation (that is not otherwise available in the Public Domain), its business and its clients are proprietary in nature and contain trade secrets and shall be held in strict confidence by the parties hereto, and shall not, either during the term of this Agreement or after the termination hereof, be intentionally disclosed, directly or indirectly, to any third party, person, firm, corporation or other entity, irrespective of whether such person or entity is a competitor of the Corporation or is engaged in a business similar to that of the Corporation; except in furtherance of the Corporation's business. The trade secrets or other proprietary or confidential information referred to in the prior sentence includes, without limitation, all proposals to clients or potential clients, contracts, client or potential client lists, fee policies, financial information. administration or marketing practices or procedures and all other information regarding the business of the Corporation and its clients not generally known to the public.

3.2. TRADE SECRETS. The parties hereto hereby acknowledge and agree that all proprietary information referred to in this Section 2 shall be deemed trade secrets of the Corporation and that each party hereto shall take such steps, undertake such actions and refrain from taking such other actions, as mandated by the provisions hereof and by the provisions of the laws of the Commonwealth of Virginia.

4. STOCK RESTRICTIONS.

4.1. TRANSFERS. The Executive may not offer, sell, assign, grant a participation in, pledge or otherwise transfer ("Transfer") any of the Executive's shares of Common Stock of the Corporation (including shares acquired after the date hereof) (the "Shares") except in compliance with the Securities Act of 1933, as amended (the "Act"), and any applicable state securities laws. In addition, until the Expiration Date, the Executive may not Transfer any of the Executive's Shares without the prior written consent of the Corporation after complying with Section 4.3 below, other than (i) subject to Section 4.4 below, to any Permitted Transferee (as defined in Section 4.4) or (ii) as may be required by applicable federal or state law or regulation or (iii) pursuant to a registration of such shares under Section 5 below.

4.2. RESTRICTIVE LEGEND. Until the Expiration Date, each certificate representing Shares owned by the Executive shall include a legend in substantially the following form:

> UNTIL ________ __, 2001, THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER AS SET FORTH IN AN EXECUTIVE NON-COMPETE, CONFIDENTIALITY AND STOCK RESTRICTION AGREEMENT, DATED AS OF ________ __, 1997, A COPY OF WHICH MAY BE OBTAINED FROM MAXIMUS, INC.

4.3. REQUEST FOR CONSENT TO TRANSFER. The Executive may request consent to transfer from the Corporation by providing written notice to the Corporation of such holder's intention to effect such transfer, setting forth the manner and circumstances of the proposed transfer in reasonable detail. In the discretion of the Corporation, such consent may be conditioned upon the delivery to the Corporation of an instrument substantially in the form of Exhibit A hereto pursuant to which the transferee shall have agreed to be bound by the terms of this Section 4. In such case, each certificate evidencing Shares or interests therein transferred as provided in this Section 4.3 shall bear the legend set forth in Section 4.2 hereof.

4.4. TRANSFERS TO PERMITTED TRANSFEREE. "Permitted Transferee" shall mean (i) the spouse, ancestor, lineal descendants and other family members of the Executive, and any trust for the benefit of the foregoing, (including adopted descendants), (ii) any entities established principally for charitable purposes to which the Executive Transfers any Shares by way of gift and (iii) any person or entity to whom the Shares are Transferred by virtue of a pledge by the Executive to secure a borrowing from such Permitted Transferee. The Executive may transfer some or all of the Shares to a Permitted Transferee only if the Corporation shall have received notice of such transfer and an instrument substantially in the form of Exhibit A hereto pursuant to which the Permitted Transferee shall have agreed to be bound by the terms of this Section 4. Each certificate evidencing Shares or interests therein transferred as provided in this Section 4.4 shall bear the legend set forth in Section 4.2 hereof.

4.5. IMPROPER TRANSFER. (a) Any attempt to Transfer any Shares not in compliance with this Agreement shall be null and void and neither the Corporation nor any transfer agent of the Corporation shall register, or otherwise recognize in the Corporation's records, any such improper Transfer.

(b) The Executive shall not enter into any transaction or series of transactions for the purpose or with the effect of, directly or indirectly, denying or impairing the rights or obligations of the Corporation under this Agreement, and any such transaction shall be null and void and, to the extent that such transaction requires any action by the Corporation, it shall not be registered or otherwise recognized in the Corporation's records or otherwise.

4.6. ACCESS TO RECORDS AND DOCUMENTS. At any time during which the Executive is a stockholder and/or a member of the Board of Directors of the Corporation, the

Executive shall be entitled to inspect and copy such records and documents to the extent provided by the Stock Corporation Act of the Commonwealth of Virginia and any other applicable law.

4.7. ELECTION OF RUDDY AS A DIRECTOR. The Executive agrees to vote his shares of Common Stock of the Corporation (and any other shares of the capital stock of the Company over which he exercises voting control) and take such other actions as are necessary to elect Raymond B. Ruddy as a Director of the Corporation and thereafter continue Mr. Ruddy in office as a Director of the Corporation, provided, however, that in the event that either Mr. Ruddy or the Executive holds less than 20% of the outstanding Common Stock of the Company, the Executive's obligation under this Section 4.7 shall terminate.

5. <u>Registration Rights.</u>

5.1. <u>Secondary Registration.</u>

(a) REGISTRATION FOR RESALE. The Corporation intends to seek to create liquidity for the Shares held by the Executive prior to the Expiration Date. In the sole discretion of the Corporation, the Corporation may file with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-8 or Form S-3 (or similar form) sufficient to permit the public offering and sale of the Registrable Shares (as defined below) through all securities exchanges and over-the-counter markets on which the Corporation's Common Stock is then traded. For the purposes of this Agreement, "Registrable Shares" shall mean outstanding Shares and Shares issuable upon exercise of then-exercisable options held by the Executive and any other person holding registration rights substantially the same as the rights set forth in this Section 5, which Shares are not at that time the subject of an effective registration statement filed with the Commission. For the purposes of this Agreement, "Holders" shall mean all persons holding Registrable Shares including Permitted Transferees.

(b) NOTICE OF FILING OF REGISTRATION STATEMENT. In the event the Corporation determines to file a registration pursuant to Section 5.1(a), the

Corporation shall notify each Holder of the proposed filing and request that each Holder notify the Corporation within 15 days thereafter of the number of Registrable Shares such Holder wishes the Corporation to register on such Holder's behalf. Each Holder shall, prior to the end of such 15 day period, request in writing that the Corporation register the sale of all or part of such Holder's Registrable Shares.

5.2. Piggyback Registration Rights.

(a) OFFER TO INCLUDE REGISTRABLE SHARES IN CORPORATION OFFERING. If, at any time prior to the Expiration Date, the Corporation shall file a registration statement to register shares of Common Stock for its own account in an underwritten offering with the Commission while any Registrable Shares are outstanding, the Corporation shall give all the Holders at least 45 days prior written notice of the filing of such registration statement. Subject to 5.2(b) below, if requested by any Holder in writing within 30 days after receipt of any such notice, the

Corporation shall register or qualify all or, at each Holder's option, any portion of the Registrable Shares of any Holders who shall have made such request, concurrently with the registration of such other securities, all to the extent requisite to permit the public offering and sale of the Registrable Shares through the facilities of all appropriate securities exchanges and the over-the-counter market, and will use its best efforts through its officers, directors, auditors, and counsel to cause such registration statement to become effective as promptly as practicable.

(b) CUTBACK OF PARTICIPATION IN CORPORATION OFFERING. Notwithstanding Section 5.2(a), if the managing underwriter of any such offering shall advise the Corporation in writing that, in its opinion, the distribution of all or a portion of the Registrable Shares requested to be included in the registration concurrently with the securities being registered by the Corporation would materially adversely affect the distribution of such securities by the Corporation for its own account, then the number of Registrable Shares held by such Holder to be included in such registration statement shall be reduced to the extent advised by such managing underwriter, provided that any such reduction shall be made pro rata among the Holders electing to participate in such registration based on the aggregate number of Registrable Shares held by each Holder electing to so participate, and provided further that the total number of Registrable Shares included in any such registration shall not be less than 25% of the total number of shares of Common Stock included in the registration for the Corporation's account, the Holders account and the account of any other person.

5.3. Underwriting.

(a) UNDERWRITING IN SECONDARY REGISTRATION. If the Corporation undertakes a registration under Section 5.1, any Holder wishing to distribute the Registrable Shares which such Holder has requested to be registered in such registration by means of an underwriting, such Holder shall so advise the Corporation in such Holder's request to participate in such registration under Section 5.1(b). The Holders of a majority of the Registrable Shares being offered may select one or more underwriters for the registration under Section 5.1, which selection shall be approved by the Corporation, which approval shall not be unreasonably withheld provided such underwriter(s) are experienced and reputable. The Corporation shall, together with the Holders engaged in the registration hereunder, enter into an underwriting agreement with the representative of the underwriter or underwriters selected for such underwriting in accordance with this Section 5.3(a).

(b) UNDERWRITING IN PIGGYBACK REGISTRATION. In the event of an underwritten registration pursuant to the provisions of Section 5.2, any Holder who requests to have Registrable Shares included in such registration shall enter into such custody agreements and powers of attorney as are reasonably requested by the Corporation and any such underwriter, and, if requested, enter into an underwriting agreement containing customary terms.

(c) RIGHT OF WITHDRAWAL FROM UNDERWRITING. In the event of an underwritten offering under Section 5.3(a) or (b), the right of a Holder to participate

in a registration hereunder shall be conditioned upon the inclusion of such Holder's Registrable Shares in such underwriting. If a Holder disapproves of the terms of the underwriting, such Holder may elect to withdraw therefrom by written notice to the Corporation and the underwriter delivered at least seven days prior to the effective date of the Registration Statement. The securities so withdrawn shall also be withdrawn from the Registration Statement.

5.4. EFFECTIVENESS AND EXPENSES. The Corporation will use its best efforts through its officers, directors, auditors and counsel to cause any Registration Statement filed pursuant to this Section 5 to become effective as promptly as practicable. The Corporation shall be obligated to use its best efforts to maintain the effectiveness of such Registration Statement only until the earlier of (i) the Expiration Date, and (ii) the date on which no Registrable Shares remain outstanding (the "Registration Termination Date"). The Corporation shall be obligated to pay all expenses (other than the fees and disbursements of counsel for the Holders and underwriting discounts, if any, payable in respect of the Registrable Shares sold by the Holders) in connection with any such registration statement.

5.5. BLUE SKY REGISTRATIONS. In the event of a registration pursuant to the provisions of this Section 5, the Corporation shall use its best efforts to cause the Registrable Shares so registered to be registered or qualified for sale under the securities or blue sky laws of such jurisdictions as the Holders may reasonably request; provided, however, that the Corporation shall not be required to qualify to do business in any state by reason of this Section 5.5 in which it is not otherwise required to qualify to do business.

5.6. CONTINUING EFFECTIVENESS. Until the Registration Termination Date, the Corporation shall use its best efforts to keep effective any registration or qualification contemplated by this Section 5 and shall from time to time amend or supplement each applicable registration statement, preliminary prospectus, final prospectus, application, document and communication for such period of time as shall be required to permit the Holders to complete the offer and sale of the Registrable Shares covered thereby.

5.7. COPIES OF REGISTRATION STATEMENT AND RELATED DOCUMENTS. In the event of a registration pursuant to the provisions of this Section 5, the Corporation shall furnish to each Holder a copy of the Registration Statement and of each amendment and supplement thereto (in each case, including all exhibits), and a reasonable number of copies of each prospectus contained in such registration statement and each supplement or amendment thereto (including each preliminary prospectus), all of which shall conform to the requirements of the Act, and the rules and regulations thereunder, and such other documents, as any Holder may reasonably request to facilitate the disposition of the Registrable Shares included in such registration.

5.8. RULE 144 ELIGIBILITY. The Corporation agrees that, following the Expiration Date, until all the Registrable Shares have been sold under a registration statement or pursuant to Rule 144 under the Act, the Corporation shall use its best

efforts to keep current in filing all reports, statements and other materials required to be filed with the Commission to permit holders of the Registrable Shares to sell such securities under Rule 144.

6. Indemnity.

6.1. CORPORATION INDEMNIFICATION OF THE HOLDERS. Subject to the conditions set forth below, the Corporation agrees to indemnify and hold harmless each Holder, its officers, directors, partners, employees, agents and counsel, if any, and each person, if any, who controls any such person within the meaning of Section 15 of the Act or Section 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), if any, from and against any and all loss, liability, charge, claim, damage and expense whatsoever (which shall include, for all purposes of this Section 6, without limitation, attorneys' fees and any and all expenses whatsoever incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, and any and all amounts paid in settlement of any claim or litigation), as and when incurred, arising out of, based upon, or in connection with any untrue statement or alleged untrue statement of a material fact contained in any registration statement, preliminary prospectus or final prospectus (as from time to time amended and supplemented), or any amendment or supplement thereto, relating to the sale of any of the Registrable Shares, filed with the Commission or any securities exchange; or any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein

not misleading, unless such statement or omission was made in reliance upon and in conformity with written information furnished to the Corporation with respect to such Holder by or on behalf of such person expressly for inclusion in any registration statement, preliminary prospectus, or final prospectus, or any amendment or supplement thereto, as the case may be. The foregoing agreement to indemnify shall be in addition to any liability the Corporation may otherwise have, including liabilities arising under this Agreement.

If any action is brought against any Holder or any of its officers, directors, partners, employees, agents or counsel, or any controlling persons of such person (an "Indemnified Party") in respect of which indemnity may be sought against the Corporation pursuant to the foregoing paragraph, such Indemnified Party or Parties shall promptly notify the Corporation in writing of the institution of such action (but the failure so to notify shall not relieve the Corporation from any liability other than pursuant to this Section 6.1) and the Corporation shall promptly assume the defense of such action, including the employment of counsel (reasonably satisfactory to such Indemnified Party or parties) and payment of expenses. Such Indemnified Party or parties shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or parties unless the employment of such counsel shall have been authorized in writing by the Corporation in connection with the defense of such action or the Corporation shall not have promptly employed counsel reasonably satisfactory to such Indemnified Party or Parties to have charge of the defense of such action or such Indemnified Party or parties shall have reasonably concluded that there may be one or more legal defenses available to it or them or to other indemnified parties which are different from or

additional to those available to the Corporation, in any of which events such fees and expenses shall be borne by the Corporation, and the Corporation shall not have the right to direct the defense of such action on behalf of the Indemnified Party or Parties. Anything in this Section 5 to the contrary notwithstanding, the Corporation shall not be liable for any settlement of any such claim or action effected without its written consent, which shall not be unreasonably withheld. The Corporation shall not, without the prior written consent of each Indemnified Party that is not released as described in this sentence, settle or compromise any action, or permit a default or consent to the entry of judgment in or otherwise seek to terminate any pending or threatened action, in respect of which indemnity may be sought hereunder (whether or not any Indemnified Party is a party thereto), unless such settlement, compromise, consent or termination includes an unconditional release of each Indemnified Party from all liability in respect of such action. The Corporation agrees promptly to notify the Holders of the commencement of any litigation or proceedings against the Corporation or any of its officers or directors in connection with the sale of any Registrable Shares or any preliminary prospectus, prospectus, registration statement or amendment or supplement thereto, or any application relating to any sale of any Registrable Shares.

6.2. HOLDER INDEMNIFICATION OF THE CORPORATION. Each Holder participating in any such registration shall indemnify and hold harmless the Corporation, each director of the Corporation, each officer of the Corporation who shall have signed the registration statement covering Registrable Shares held by the Holder, each other person, if any, who controls the Corporation within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, and its or their respective counsel, to the same extent as the foregoing indemnity from the Corporation to the Holders in Section 6.1, but only with respect to statements or omissions, if any, made in any registration statement, preliminary prospectus or final prospectus (as from time to time amended and supplemented), or any amendment or supplement thereto, in reliance upon and in conformity with written information furnished to the Corporation with respect to such Holder by or on behalf of such Holder expressly for inclusion in any such registration statement, preliminary prospectus or final prospectus, or any amendment or supplement thereto, as the case may be. If any action shall be brought against the Corporation or any other person so indemnified based on any such registration statement, preliminary prospectus or final prospectus, or any amendment or supplement thereto, or in any application, and in respect of which indemnity may be sought against such Holder pursuant to this Section 6.2, such Holder shall have the rights and duties given to the Corporation and the Corporation and each other person so indemnified shall have the rights and duties given to the indemnified parties, by the provisions of Section 6.1.

6.3. CONTRIBUTION. To provide for just and equitable contribution, if (i) an Indemnified Party makes a claim for indemnification pursuant to Section 6.1 or 6.2 but it is found in a final judicial determination, not subject to further appeal, that such indemnification may not be enforced in such case, even though this Agreement expressly provides for indemnification in such case, or (ii) any indemnified or indemnifying party seeks contribution under the Act, the

Exchange Act or otherwise, then the Corporation (including for this purpose any contribution made by or on behalf

of any director of the Corporation, any officer of the Corporation who signed any such registration statement, any controlling person of the Corporation, and its or their respective counsel), as one entity, and the Holders of the Registrable Shares included in such registration in the aggregate (including for this purpose any contribution by or on behalf of an Indemnified Party), as a second entity, shall contribute to the losses, liabilities, claims, damages and expenses whatsoever to which any of them may be subject, on the basis of relevant equitable considerations such as the relative fault of the Corporation and such Holders in connection with the facts which resulted in such losses, liabilities, claims, damages and expenses. The relative fault, in the case of an untrue statement, alleged untrue statement, omission or alleged omission, shall be determined by, among other things, whether such statement, alleged statement, omission or alleged omission relates to information supplied by the Corporation or by such Holders, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement, alleged statement, omission or alleged omission. The Corporation and the Holder agree that it would be unjust and inequitable if the respective obligations of the Corporation and the Holders for the contribution were determined by pro rata or per capita allocation of the aggregate losses, liabilities, claims, damages and expenses (even if the Holder and the other indemnified parties were treated as one entity for such purpose) or by any other method of allocation that does not reflect the equitable considerations, referred to in this Section 6.3. In no case shall any Holder be responsible for a portion of the contribution obligation imposed on all Holders in excess of its pro rata share based on the number of Registrable Shares of by it and included in such registration as compared to the number of Registrable Shares owned by all Holders and included in such registration. No person guilty of a fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation. For purposes of this Section 6.3, each person, if any, who controls any Holder within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act and each officer, director, partner, employee, agent and counsel of each such Holder or control person shall have the same rights to contribution as such Holder or control person and each person, if any, who controls the Corporation within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, each officer of the Corporation who shall have signed any such registration statement, each director of the Corporation and its or their respective counsel shall have the same right to contribution as the Corporation, subject in each case to the provisions of this Section 6.3. Anything in this Section 6.3 to the contrary notwithstanding, no party shall be liable for contribution with respect to the settlement of any claim or action effected without its written consent. This Section 6.3 is intended to supersede any right to contribution under the Act, the Exchange Act or otherwise.

7. MISCELLANEOUS.

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

If to the Corporation,

MAXIMUS, Inc.
1356 Beverly Road
McLean, Virginia 22201
Attention: David V. Mastran

If to the Executive,

David V. Mastran

MAXIMUS, Inc.
1356 Beverly Road
McLean, Virginia 22201

Any notice, request, demand or other communication delivered or sent in the foregoing manner shall be deemed given or made (as the case may be) upon the earliest of (i) the date it is actually received, (ii) the business-day after the day on which it is delivered by hand, (iii) the business day after the day on which it is properly delivered to Federal Express (or a comparable overnight delivery service), or (iv) the third business day after the date on which it is deposited in the United States mail. Either party may change its address by notifying the other party of the new address in any manner permitted by this paragraph. Rejection or other refusal to accept or the inability to deliver because of a changed address of which no notice was given shall not affect the date of such notice, election or demand sent in accordance with the foregoing provisions.

7.2. REMEDIES. The parties hereto further agree and acknowledge that any violation by the Executive of the terms hereof may result in irreparable injury and damage to the Executive, Corporation or its clients, as the case may be, which will not adequately be compensable in monetary damages, that the Corporation will have no adequate remedy at law therefor, and that the Corporation may obtain such preliminary, temporary or permanent mandatory or restraining injunctions, orders or decrees as may be necessary to protect it against, or on account of, any breach of the provisions contained in this Agreement.

7.3. NO OBLIGATION OF CONTINUED EMPLOYMENT AFTER TERMINATION OF SECTION 1. Except as set forth in Section 1 hereof, the Executive understands that this Agreement does not constitute a contract of employment or create an obligation on the part of the Corporation to continue the Executive's employment with the Corporation.

7.4. BENEFIT; ASSIGNMENT. This Agreement shall bind and inure to the benefit of the parties and their respective personal representatives, heirs, successors and assigns and the obligations of the Executive under Section 4.7 shall also inure to the benefit of Raymond B. Ruddy. This Agreement may not be assigned by either party without the consent of the other except that the Corporation may assign this Agreement in connection with the merger, consolidation or sale of all or substantially all of its business or assets.

7.5. ENTIRE AGREEMENT. This Agreement supersedes all prior agreements, written or oral, with respect to the subject matter of this Agreement, including the Shareholder Agreement dated January 2, 1996.

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

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

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

7.9. GOVERNING LAW. This Agreement shall be construed as a sealed instrument and shall in all events and for all purposes be governed by, and construed in accordance with, the laws of the Commonwealth of Virginia without regard to any choice of law principle that would dictate the application of the laws of another jurisdiction. Any action, suit or other legal proceeding which the Executive may commence to resolve any matter arising under or relating to any provision of this Agreement shall be commenced only in a court of the Commonwealth of Virginia (or, if appropriate, a federal court located within Virginia), and the Executive hereby consent to the jurisdiction of such court with respect to any action, suit or proceeding commenced in such court by the Corporation. The Section headings are included

solely for convenience and shall in no event affect or be used in connection with, the interpretation of this Agreement.

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

7.10. AMENDMENTS. No alterations or additions to this Agreement shall be binding unless in writing and signed by both the parties, and no alteration or addition may be made to the provisions in Section 4.7 without the consent of Raymond B. Ruddy.

7.11. GENDERS. Whenever reasonably necessary, pronouns of any gender shall be deemed synonymous, as shall singular and plural pronouns.

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

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

David V. Mastran

MAXIMUS, INC.

By:

Name:
Title:

EXHIBIT A

FORM OF AGREEMENT TO BE BOUND

[DATE]

MAXIMUS, INC.
1356 Beverly Road
McLean, VA 22101

Ladies and Gentlemen:

Reference is made to the Executive Non-Compete, Confidentiality and Stock Restriction Agreement (the "Agreement") dated as of _____________ __, 1997 between MAXIMUS, Inc. (the "Company") and David V. Mastran (the "Transferor").

The undersigned is the transferee of _________ shares of _____________ Common Stock of the Corporation from the Transferor (the "Shares").

In consideration of the representations, covenants and agreements contained in the Agreement, the undersigned hereby confirms and agrees to be bound by all of the provisions of Section 3 of the Agreement applicable to the Transferor with respect to the Shares.

This letter shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia without regard to the conflicts of law rules of such state.

Very truly yours,

EXHIBIT 10.5

EXECUTIVE EMPLOYMENT, NON-COMPETE, CONFIDENTIALITY AND STOCK RESTRICTION AGREEMENT

[Ruddy]

EMPLOYMENT AGREEMENT entered into this ___ day of ___________, 1997 by and between Raymond B. Ruddy (the "Executive") and MAXIMUS, Inc., a Virginia corporation with a usual place of business in McLean, Virginia (the "Corporation").

WHEREAS, Executive is a key employee of the Corporation and a holder of a substantial number of shares of the issued and outstanding capital stock of the Corporation, and

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

1. EMPLOYMENT.

1.1. DUTIES. The Corporation hereby employs the Executive, and the Executive hereby accepts such employment, to serve as the Chairman of the Board of Directors, Vice President, Consulting of the Corporation and President of Consulting Group of the Corporation. The Executive shall provide day to day management of the Corporation as Chairman of the Board of Directors, Vice President, Consulting of the Corporation and President of Consulting Group and shall perform such other services and duties as are appropriate to such office or Chief Operating Officer of the Corporation. During the term of this Agreement, the Executive shall be a full time employee of the Corporation and shall devote such time and attention to the discharge of his duties as Chairman of the Board of Directors, Vice President, Consulting of the Corporation and President of Consulting Group as may be necessary and appropriate to accomplish and complete such duties.

1.2. COMPENSATION.

(a) SALARY AND REGULAR YEAR-END BONUS. As compensation for performance of his obligations hereunder, the Corporation shall pay the Executive a salary of not less than $350,000 and regular year-end bonus consistent with the Corporation's past practices; provided however that the Executive's aggregate compensation shall not be less than that paid to the Chief Executive Officer of the Corporation.

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

1.3. TERM; TERMINATION. The term of the employment agreement set forth in this Section 1 shall be for a period commencing on the date hereof and continuing until September 30, 2001, provided that this Agreement shall terminate:

(a) by mutual written consent of the parties; or

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

(c) by the Corporation for cause, which shall mean in the event of Executive's breach of any material duty or obligation hereunder, or intentional or grossly negligent conduct that is materially injurious to the Corporation, as reasonably determined by the Corporation's Board of Directors, or willful failure to follow the reasonable directions of the Corporation's Board of Directors.

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

2. NON-COMPETITION.

2.1. UNDERTAKING. The Executive agrees that while the Executive is employed by the Corporation and thereafter, until _____________ [4 years after the date hereof] (the "Expiration Date"), the Executive shall not, without the Corporation's prior written consent, directly or indirectly, as a principal, employee, consultant, partner, or stockholder of, or in any other capacity with, any business enterprise (other than in the Executive's capacity as a holder of not more than 1% of the combined voting power of the outstanding stock of a publicly held company) (a) engage in direct or indirect competition with the Corporation, (b) conduct a business of the type or character engaged in by the Corporation at the time of termination or cessation of the Executive's employment or (c) develop products or services competitive with those of the Corporation.

2.2. PROHIBITED ACTIVITIES. (a) The Executive agrees that, during his employment with the Corporation, and thereafter for a period of two years after the termination of such employment, the Executive will not engage in any unethical behavior which may adversely affect the Corporation. For the purpose of this Section 2.2, "Unethical Behavior" is defined as:

(1) any attempt, successful or unsuccessful, by the Executive to divert any existing contracts or subcontracts from the Corporation to any other firm, whether or not affiliated with the Executive;

(2) any attempt, successful or unsuccessful by the Executive, to adversely influence clients of the Corporation or organizations with which the Corporation has a contract or a proposal pending as of the date of the Executive's termination from the Corporation;

(3) any attempt, successful or unsuccessful, by the Executive to divert any contracts or subcontracts which are pending as of the date of Executive's termination from the Corporation to any other firm, whether or not affiliated with the Executive;

(4) any attempt, successful or unsuccessful, by the Executive to offer his services, or to influence any other employee of the Corporation to offer their services, to any firm to compete against the Corporation in the performance of services provided under existing contracts or follow-ons to existing contracts or pending proposals with the Corporation's clients as of the date of the Executive's termination; or

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

(b) The Executive agrees that, in addition to any other remedy available to the Corporation, in the event of a breach by the Executive of the terms of this Section 2.2 the Corporation may set off against any amounts due the Executive, an amount equal to the gross revenues which such Executive, or any entity with which the Executive is employed, affiliated or associated, receives or is entitled to receive, from any existing clients (or potential clients with whom a proposal is pending) of the Corporation during the two-year period provided in this Section 2.2.

(c) The provisions of this Section 2.2 shall continue for a period of two years after termination of the Executive's employment with the Corporation, whether voluntary or involuntary, with or without cause. The Executive shall notify any new employer, partner, association or any other firm or corporation actually or potentially in competition with the Corporation with whom the Executive shall become associated in any capacity whatsoever of the provisions of this Section 2.2 and the Executive agrees that the Corporation may give such notice to such firm, corporation or other person.

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

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

(b) The Executive, in his capacity as an employee of the Corporation, shall not engage in any business with any member of the Executive's immediate family or with any person or business entity in which the Executive or any member of the Executive's immediate family has any ownership interest or financial interest, unless and until the Executive has first fully disclosed such interest to the Board of Directors and received written consent from the Board of Directors, signed by the Chairman of such board. As used herein, the

term "immediate family" means the Executive's spouse, natural or adopted children, parents or siblings and the term "financial interest" means any relationship with such person or business entity that may monetarily benefit the Executive or member of the

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

(c) The parties hereto acknowledge and agree that the Executive may engage in outside civic, political, social, educational and professional activities and may serve on the boards of directors of other corporations; provided, however, that such activities shall not have priority over or adversely affect or conflict with the business of the Corporation or its clients, or interfere with the mobility of the Executive to fulfill the Executive's duties to the Corporation as a full-time employee and officer and director of the Corporation, as conclusively determined by the Board of Directors of the Corporation.

(d) The parties hereto agree that the Executive may, consistent with this Section 1.3, receive and retain speaking fees, referral fees from business opportunities not accepted by the Corporation, and fees from outside business activities and opportunities of the Executive consented to by the Board of Directors of the Corporation.

3. CONFIDENTIALITY.

3.1. NON-DISCLOSURE. The parties hereto agree that the Corporation's books, records, files and all other information relating to the Corporation (that is not otherwise available in the Public Domain), its business and its clients are proprietary in nature and contain trade secrets and shall be held in strict confidence by the parties hereto, and shall not, either during the term of this Agreement or after the termination hereof, be intentionally disclosed, directly or indirectly, to any third party, person, firm, corporation or other entity, irrespective of whether such person or entity is a competitor of the Corporation or is engaged in a business similar to that of the Corporation; except in furtherance of the Corporation's business. The trade secrets or other proprietary or confidential information referred to in the prior sentence includes, without limitation, all proposals to clients or potential clients, contracts, client or potential client lists, fee policies, financial information. administration or marketing practices or procedures and all other information regarding the business of the Corporation and its clients not generally known to the public.

3.2. TRADE SECRETS. The parties hereto hereby acknowledge and agree that all proprietary information referred to in this Section 2 shall be deemed trade secrets of the Corporation and that each party hereto shall take such steps, undertake such actions and refrain from taking such other actions, as mandated by the provisions hereof and by the provisions of the laws of the Commonwealth of Virginia.

4. STOCK RESTRICTIONS.

4.1. TRANSFERS. The Executive may not offer, sell, assign, grant a participation in, pledge or otherwise transfer ("Transfer") any of the Executive's shares of Common Stock of the Corporation (including shares acquired after the date hereof) (the "Shares") except in compliance with the Securities Act of 1933, as amended (the "Act"), and any applicable state securities laws. In addition, until the Expiration Date, the Executive may not Transfer any of the Executive's Shares without the prior written consent of the Corporation after complying with Section 4.3 below, other than (i) subject to Section 4.4 below, to any Permitted Transferee (as defined in Section 4.4) or (ii) as may be required by applicable federal or state law or regulation or (iii) pursuant to a registration of such shares under Section 5 below.

4.2. RESTRICTIVE LEGEND. Until the Expiration Date, each certificate representing Shares owned by the Executive shall include a legend in

substantially the following form:

UNTIL ________ __, 2001, THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER AS SET FORTH IN AN EXECUTIVE NON-COMPETE, CONFIDENTIALITY AND STOCK RESTRICTION AGREEMENT, DATED AS OF ________ __, 1997, A COPY OF WHICH MAY BE OBTAINED FROM MAXIMUS, INC.

4.3. REQUEST FOR CONSENT TO TRANSFER. The Executive may request consent to transfer from the Corporation by providing written notice to the Corporation of such holder's intention to effect such transfer, setting forth the manner and circumstances of the proposed transfer in reasonable detail. In the discretion of the Corporation, such consent may be conditioned upon the delivery to the Corporation of an instrument substantially in the form of EXHIBIT A hereto pursuant to which the transferee shall have agreed to be bound by the terms of this Section 4. In such case, each certificate evidencing Shares or interests therein transferred as provided in this Section 4.3 shall bear the legend set forth in Section 4.2 hereof.

4.4. TRANSFERS TO PERMITTED TRANSFEREE. "Permitted Transferee" shall mean (i) the spouse, ancestor, lineal descendants and other family members of the Executive, and any trust for the benefit of the foregoing, (including adopted descendants), (ii) any entities established principally for charitable purposes to which the Executive Transfers any Shares by way of gift and (iii) any person or entity to whom the Shares are Transferred by virtue of a pledge by the Executive to secure a borrowing from such Permitted Transferee. The Executive may transfer some or all of the Shares to a Permitted Transferee only if the Corporation shall have received notice of such transfer and an instrument substantially in the form of Exhibit A hereto pursuant to which the Permitted Transferee shall have agreed to be bound by the terms of this Section 4. Each certificate evidencing Shares or interests therein transferred as provided in this Section 4.4 shall bear the legend set forth in Section 4.2 hereof.

4.5. IMPROPER TRANSFER. (a) Any attempt to Transfer any Shares not in compliance with this Agreement shall be null and void and neither the Corporation nor any transfer agent of the Corporation shall register, or otherwise recognize in the Corporation's records, any such improper Transfer.

(b) The Executive shall not enter into any transaction or series of transactions for the purpose or with the effect of, directly or indirectly, denying or impairing the rights or obligations of the Corporation under this Agreement, and any such transaction shall be null and void and, to the extent that such transaction requires any action by the Corporation, it shall not be registered or otherwise recognized in the Corporation's records or otherwise.

4.6. ACCESS TO RECORDS AND DOCUMENTS. At any time during which the Executive is a stockholder and/or a member of the Board of Directors of the Corporation, the Executive shall be entitled to inspect and copy such records and documents to the extent provided by the Stock Corporation Act of the Commonwealth of Virginia and any other applicable law.

4.7. ELECTION OF MASTRAN AS A DIRECTOR. The Executive agrees to vote his shares of Common Stock of the Corporation (and any other shares of the capital stock of the Company over which he exercises voting control) and take such other actions as are necessary to elect David V. Mastran as a Director of the Corporation and thereafter continue Dr. Mastran in office as a Director of the Corporation, provided, however, that in the event that either Dr. Mastran or the Executive holds less than 20% of the outstanding Common Stock of the Company, the Executive's obligation under this Section 4.7 shall terminate.

4.8. VOTING AGREEMENT. Until September 30, 2001, the Executive agrees to vote his shares of the Corporation Common Stock (and any other shares of the capital stock of the Corporation over which he exercises voting control) and take such other actions as are necessary, in connection with any action of the stockholders of the Corporation in a manner consistent with any instructions received by the Executive from David Mastran. The Executive shall make reasonable efforts prior to any stockholder action to obtain such instructions from David Mastran and if such instructions are not obtained prior to the date of a stockholder action, the Executive shall abstain from voting his shares in such action.

5. Registration Rights.

5.1. Secondary Registration.

(a) REGISTRATION FOR RESALE. The Corporation intends to seek to create liquidity for the Shares held by the Executive prior to the Expiration

Date. In the sole discretion of the Corporation, the Corporation may file with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-8 or Form S-3 (or similar form) sufficient to permit the public offering and sale of the Registrable Shares (as defined below) through all securities exchanges and over-the-counter markets on which the Corporation's Common Stock is then traded. For the purposes of this Agreement, "Registrable Shares" shall mean outstanding Shares and Shares issuable upon exercise of

then-exercisable options held by the Executive and any other person holding registration rights substantially the same as the rights set forth in this Section 5, which Shares are not at that time the subject of an effective registration statement filed with the Commission. For the purposes of this Agreement, "Holders" shall mean all persons holding Registrable Shares including Permitted Transferees.

(b) NOTICE OF FILING OF REGISTRATION STATEMENT. In the event the Corporation determines to file a registration pursuant to Section 5.1(a), the Corporation shall notify each Holder of the proposed filing and request that each Holder notify the Corporation within 15 days thereafter of the number of Registrable Shares such Holder wishes the Corporation to register on such Holder's behalf. Each Holder shall, prior to the end of such 15 day period, request in writing that the Corporation register the sale of all or part of such Holder's Registrable Shares.

5.2. <u>Piggyback Registration Rights.</u>

(a) OFFER TO INCLUDE REGISTRABLE SHARES IN CORPORATION OFFERING. If, at any time prior to the Expiration Date, the Corporation shall file a registration statement to register shares of Common Stock for its own account in an underwritten offering with the Commission while any Registrable Shares are outstanding, the Corporation shall give all the Holders at least 45 days prior written notice of the filing of such registration statement. Subject to 5.2(b) below, if requested by any Holder in writing within 30 days after receipt of any such notice, the Corporation shall register or qualify all or, at each Holder's option, any portion of the Registrable Shares of any Holders who shall have made such request, concurrently with the registration of such other securities, all to the extent requisite to permit the public offering and sale of the Registrable Shares through the facilities of all appropriate securities exchanges and the over-the-counter market, and will use its best efforts through its officers, directors, auditors, and counsel to cause such registration statement to become effective as promptly as practicable.

(b) CUTBACK OF PARTICIPATION IN CORPORATION OFFERING. Notwithstanding Section 5.2(a), if the managing underwriter of any such offering shall advise the Corporation in writing that, in its opinion, the distribution of all or a portion of the Registrable Shares requested to be included in the registration concurrently with the securities being registered by the Corporation would materially adversely affect the distribution of such securities by the Corporation for its own account, then the number of Registrable Shares held by such Holder to be included in such registration statement shall be reduced to the extent advised by such managing underwriter, provided that any such reduction shall be made pro rata among the Holders electing to participate in such registration based on the aggregate number of Registrable Shares held by each Holder electing to so participate, and provided further that the total number of Registrable Shares included in any such registration shall not be less than 25% of the total number of shares of Common Stock included in the registration for the Corporation's account, the Holders account and the account of any other person.

5.3. <u>Underwriting.</u>

(a) UNDERWRITING IN SECONDARY REGISTRATION. If the Corporation undertakes a registration under Section 5.1, any Holder wishing to distribute the Registrable Shares which such Holder has requested to be registered in such registration by means of an underwriting, such Holder shall so advise the Corporation in such Holder's request to participate in such registration under Section 5.1(b). The Holders of a majority of the Registrable Shares being offered may select one or more underwriters for the registration under Section

5.1, which selection shall be approved by the Corporation, which approval shall not be unreasonably withheld provided such underwriter(s) are experienced and reputable. The Corporation shall, together with the Holders engaged in the registration hereunder, enter into an underwriting agreement with the representative of the underwriter or underwriters selected for such underwriting in accordance with this Section 5.3(a).

(b) UNDERWRITING IN PIGGYBACK REGISTRATION. In the event of an underwritten registration pursuant to the provisions of Section 5.2, any Holder who requests to have Registrable Shares included in such registration shall enter into such custody agreements and powers of attorney as are reasonably requested by the Corporation and any such underwriter, and, if requested, enter into an underwriting agreement containing customary terms.

(c) RIGHT OF WITHDRAWAL FROM UNDERWRITING. In the event of an underwritten offering under Section 5.3(a) or (b), the right of a Holder to participate in a registration hereunder shall be conditioned upon the inclusion of such Holder's Registrable Shares in such underwriting. If a Holder disapproves of the terms of the underwriting, such Holder may elect to withdraw therefrom by written notice to the Corporation and the underwriter delivered at least seven days prior to the effective date of the Registration Statement. The securities so withdrawn shall also be withdrawn from the Registration Statement.

5.4. EFFECTIVENESS AND EXPENSES. The Corporation will use its best efforts through its officers, directors, auditors and counsel to cause any Registration Statement filed pursuant to this Section 5 to become effective as promptly as practicable. The Corporation shall be obligated to use its best efforts to maintain the effectiveness of such Registration Statement only until the earlier of (i) the Expiration Date, and (ii) the date on which no Registrable Shares remain outstanding (the "Registration Termination Date"). The Corporation shall be obligated to pay all expenses (other than the fees and disbursements of counsel for the Holders and underwriting discounts, if any, payable in respect of the Registrable Shares sold by the Holders) in connection with any such registration statement.

5.5. BLUE SKY REGISTRATIONS. In the event of a registration pursuant to the provisions of this Section 5, the Corporation shall use its best efforts to cause the Registrable Shares so registered to be registered or qualified for sale under the securities or blue sky laws of such jurisdictions as the Holders may reasonably request;

PROVIDED, HOWEVER, that the Corporation shall not be required to qualify to do business in any state by reason of this Section 5.5 in which it is not otherwise required to qualify to do business.

5.6. CONTINUING EFFECTIVENESS. Until the Registration Termination Date, the Corporation shall use its best efforts to keep effective any registration or qualification contemplated by this Section 5 and shall from time to time amend or supplement each applicable registration statement, preliminary prospectus, final prospectus, application, document and communication for such period of time as shall be required to permit the Holders to complete the offer and sale of the Registrable Shares covered thereby.

5.7. COPIES OF REGISTRATION STATEMENT AND RELATED DOCUMENTS. In the event of a registration pursuant to the provisions of this Section 5, the Corporation shall furnish to each Holder a copy of the Registration Statement and of each amendment and supplement thereto (in each case, including all exhibits), and a reasonable number of copies of each prospectus contained in such registration statement and each supplement or amendment thereto (including each preliminary prospectus), all of which shall conform to the requirements of the Act, and the rules and regulations thereunder, and such other documents, as any Holder may reasonably request to facilitate the disposition of the Registrable Shares included in such registration.

5.8. RULE 144 ELIGIBILITY. The Corporation agrees that, following the Expiration Date, until all the Registrable Shares have been sold under a registration statement or pursuant to Rule 144 under the Act, the Corporation shall use its best efforts to keep current in filing all reports, statements and other materials required to be filed with the Commission to permit holders of the Registrable Shares to sell such securities under Rule 144.

6. Indemnity.

6.1. CORPORATION INDEMNIFICATION OF THE HOLDERS. Subject to the conditions set forth below, the Corporation agrees to indemnify and hold harmless each Holder, its officers, directors, partners, employees, agents and counsel, if any, and each person, if any, who controls any such person within

the meaning of Section 15 of the Act or Section 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), if any, from and against any and all loss, liability, charge, claim, damage and expense whatsoever (which shall include, for all purposes of this Section 6, without limitation, attorneys' fees and any and all expenses whatsoever incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, and any and all amounts paid in settlement of any claim or litigation), as and when incurred, arising out of, based upon, or in connection with any untrue statement or alleged untrue statement of a material fact contained in any registration statement, preliminary prospectus or final prospectus (as from time to time amended and supplemented), or any amendment or supplement thereto, relating to the sale of any of the Registrable Shares, filed with the Commission or any securities exchange; or any omission or alleged omission to state a material fact required to be

stated therein or necessary to make the statements therein not misleading, unless such statement or omission was made in reliance upon and in conformity with written information furnished to the Corporation with respect to such Holder by or on behalf of such person expressly for inclusion in any registration statement, preliminary prospectus, or final prospectus, or any amendment or supplement thereto, as the case may be. The foregoing agreement to indemnify shall be in addition to any liability the Corporation may otherwise have, including liabilities arising under this Agreement.

If any action is brought against any Holder or any of its officers, directors, partners, employees, agents or counsel, or any controlling persons of such person (an "Indemnified Party") in respect of which indemnity may be sought against the Corporation pursuant to the foregoing paragraph, such Indemnified Party or Parties shall promptly notify the Corporation in writing of the institution of such action (but the failure so to notify shall not relieve the Corporation from any liability other than pursuant to this Section 6.1) and the Corporation shall promptly assume the defense of such action, including the employment of counsel (reasonably satisfactory to such Indemnified Party or parties) and payment of expenses. Such Indemnified Party or parties shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or parties unless the employment of such counsel shall have been authorized in writing by the Corporation in connection with the defense of such action or the Corporation shall not have promptly employed counsel reasonably satisfactory to such Indemnified Party or Parties to have charge of the defense of such action or such Indemnified Party or parties shall have reasonably concluded that there may be one or more legal defenses available to it or them or to other indemnified parties which are different from or additional to those available to the Corporation, in any of which events such fees and expenses shall be borne by the Corporation, and the Corporation shall not have the right to direct the defense of such action on behalf of the Indemnified Party or Parties. Anything in this Section 5 to the contrary notwithstanding, the Corporation shall not be liable for any settlement of any such claim or action effected without its written consent, which shall not be unreasonably withheld. The Corporation shall not, without the prior written consent of each Indemnified Party that is not released as described in this sentence, settle or compromise any action, or permit a default or consent to the entry of judgment in or otherwise seek to terminate any pending or threatened action, in respect of which indemnity may be sought hereunder (whether or not any Indemnified Party is a party thereto), unless such settlement, compromise, consent or termination includes an unconditional release of each Indemnified Party from all liability in respect of such action. The Corporation agrees promptly to notify the Holders of the commencement of any litigation or proceedings against the Corporation or any of its officers or directors in connection with the sale of any Registrable Shares or any preliminary prospectus, prospectus, registration statement or amendment or supplement thereto, or any application relating to any sale of any Registrable Shares.

6.2. HOLDER INDEMNIFICATION OF THE CORPORATION. Each Holder participating in any such registration shall indemnify and hold harmless the Corporation, each director of the Corporation, each officer of the Corporation who shall have signed the registration statement covering Registrable Shares held by the

Holder, each other person, if any, who controls the Corporation within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, and its

or their respective counsel, to the same extent as the foregoing indemnity from the Corporation to the Holders in Section 6.1, but only with respect to statements or omissions, if any, made in any registration statement, preliminary prospectus or final prospectus (as from time to time amended and supplemented), or any amendment or supplement thereto, in reliance upon and in conformity with written information furnished to the Corporation with respect to such Holder by or on behalf of such Holder expressly for inclusion in any such registration statement, preliminary prospectus or final prospectus, or any amendment or supplement thereto, as the case may be. If any action shall be brought against the Corporation or any other person so indemnified based on any such registration statement, preliminary prospectus or final prospectus, or any amendment or supplement thereto, or in any application, and in respect of which indemnity may be sought against such Holder pursuant to this Section 6.2, such Holder shall have the rights and duties given to the Corporation and the Corporation and each other person so indemnified shall have the rights and duties given to the indemnified parties, by the provisions of Section 6.1.

6.3. CONTRIBUTION. To provide for just and equitable contribution, if (i) an Indemnified Party makes a claim for indemnification pursuant to Section 6.1 or 6.2 but it is found in a final judicial determination, not subject to further appeal, that such indemnification may not be enforced in such case, even though this Agreement expressly provides for indemnification in such case, or (ii) any indemnified or indemnifying party seeks contribution under the Act, the Exchange Act or otherwise, then the Corporation (including for this purpose any contribution made by or on behalf of any director of the Corporation, any officer of the Corporation who signed any such registration statement, any controlling person of the Corporation, and its or their respective counsel), as one entity, and the Holders of the Registrable Shares included in such registration in the aggregate (including for this purpose any contribution by or on behalf of an Indemnified Party), as a second entity, shall contribute to the losses, liabilities, claims, damages and expenses whatsoever to which any of them may be subject, on the basis of relevant equitable considerations such as the relative fault of the Corporation and such Holders in connection with the facts which resulted in such losses, liabilities, claims, damages and expenses. The relative fault, in the case of an untrue statement, alleged untrue statement, omission or alleged omission, shall be determined by, among other things, whether such statement, alleged statement, omission or alleged omission relates to information supplied by the Corporation or by such Holders, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement, alleged statement, omission or alleged omission. The Corporation and the Holder agree that it would be unjust and inequitable if the respective obligations of the Corporation and the Holders for the contribution were determined by pro rata or per capita allocation of the aggregate losses, liabilities, claims, damages and expenses (even if the Holder and the other indemnified parties were treated as one entity for such purpose) or by any other method of allocation that does not reflect the equitable considerations, referred to in this Section 6.3. In no case shall any Holder be responsible for a portion of the contribution obligation imposed on all Holders in excess of its PRO RATA share based on

the number of Registrable Shares of by it and included in such registration as compared to the number of Registrable Shares owned by all Holders and included in such registration. No person guilty of a fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation. For purposes of this Section 6.3, each person, if any, who controls any Holder within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act and each officer, director, partner, employee, agent and counsel of each such Holder or control person shall have the same rights to contribution as such Holder or control person and each person, if any, who controls the Corporation within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, each officer of the Corporation who shall have signed any such registration statement, each director of the Corporation and its or their respective counsel shall have the same right to contribution as the Corporation, subject in each case to the provisions of this Section 6.3. Anything in this Section 6.3 to the contrary notwithstanding, no party shall be liable for contribution with respect to the settlement of any claim or action effected without its written consent. This Section 6.3 is intended to supersede any right to contribution under the Act, the Exchange Act or otherwise.

7. MISCELLANEOUS.

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

If to the Corporation,

MAXIMUS, Inc.
1356 Beverly Road
McLean, Virginia 22201
Attention: David V. Mastran

If to the Executive,

Raymond B. Ruddy
26 Rolling Lane
Dover, MA 02030

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

Express (or a comparable overnight delivery service), or (iv) the third business day after the date on which it is deposited in the United States mail. Either party may change its address by notifying the other party of the new address in any manner permitted by this paragraph. Rejection or other refusal to accept or the inability to deliver because of a changed address of which no notice was given shall not affect the date of such notice, election or demand sent in accordance with the foregoing provisions.

7.2. REMEDIES. The parties hereto further agree and acknowledge that any violation by the Executive of the terms hereof may result in irreparable injury and damage to the Executive, Corporation or its clients, as the case may be, which will not adequately be compensable in monetary damages, that the Corporation will have no adequate remedy at law therefor, and that the Corporation may obtain such preliminary, temporary or permanent mandatory or restraining injunctions, orders or decrees as may be necessary to protect it against, or on account of, any breach of the provisions contained in this Agreement.

7.3. NO OBLIGATION OF CONTINUED EMPLOYMENT AFTER TERMINATION OF SECTION 1. Except as set forth in Section 1 hereof, the Executive understands that this Agreement does not constitute a contract of employment or create an obligation on the part of the Corporation to continue the Executive's employment with the Corporation.

7.4. BENEFIT; ASSIGNMENT. This Agreement shall bind and inure to the benefit of the parties and their respective personal representatives, heirs, successors and assigns, provided the obligations of the Executive under Sections 4.7 and 4.8 shall also inure to the benefit of David V. Mastran provided this Agreement may not be assigned by either party without the consent of the other except that the Corporation may assign this Agreement in connection with the merger, consolidation or sale of all or substantially all of its business or assets. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and other legal representatives and, to the extent that any assignment hereof is permitted hereunder, their assignees.

7.5. ENTIRE AGREEMENT. This Agreement supersedes all prior agreements, written or oral, with respect to the subject matter of this Agreement, including the Shareholder Agreement dated January 2, 1996.

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

7.7. WAIVERS. No delay or omission by the Corporation in exercising any right under this Agreement will operate as a waiver of that or any other right. A

waiver or consent given by the Corporation on any occasion if effective only in that instance and will not be construed as a bar to or waiver of any right on any other occasion.

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

7.9. GOVERNING LAW. This Agreement shall be construed as a sealed instrument and shall in all events and for all purposes be governed by, and construed in accordance with, the laws of the Commonwealth of Virginia without regard to any choice of law principle that would dictate the application of the laws of another jurisdiction. Any action, suit or other legal proceeding which the Executive may commence to resolve any matter arising under or relating to any provision of this Agreement shall be commenced only in a court of the Commonwealth of Virginia (or, if appropriate, a federal court located within Virginia), and the Executive hereby consent to the jurisdiction of such court with respect to any action, suit or proceeding commenced in such court by the Corporation. The Section headings are included solely for convenience and shall in no event affect or be used in connection with, the interpretation of this Agreement.

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

7.10. AMENDMENTS. No alterations or additions to this Agreement shall be binding unless in writing and signed by both the parties, an d no alteration or addition may be made to the provisions of Section 4.7 without the consent of David V. Mastran.

7.11. GENDERS. Whenever reasonably necessary, pronouns of any gender shall be deemed synonymous, as shall singular and plural pronouns.

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

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

Raymond B. Ruddy

MAXIMUS, INC.

By:

Name:
Title:

EXHIBIT A

FORM OF AGREEMENT TO BE BOUND

[DATE]

MAXIMUS, INC.
1356 Beverly Road
McLean, VA 22101

Ladies and Gentlemen:

Reference is made to the Executive Non-Compete, Confidentiality and Stock Restriction Agreement (the "Agreement") dated as of _____________ __, 1997 between MAXIMUS, Inc. (the "Company") and Raymond B. Ruddy (the "Transferor").

The undersigned is the transferee of _________ shares of _____________ Common Stock of the Corporation from the Transferor (the "Shares").

In consideration of the representations, covenants and agreements contained in the Agreement, the undersigned hereby confirms and agrees to be bound by all of the provisions of Section 3 of the Agreement applicable to the Transferor with respect to the Shares.

This letter shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia without regard to the conflicts of law rules of such state.

Very truly yours,

EXHIBIT 10.6

EXECUTIVE EMPLOYMENT, NON-COMPETE, CONFIDENTIALITY AND STOCK RESTRICTION AGREEMENT

[Beliveau]

EMPLOYMENT AGREEMENT entered into this ___ day of ___________, 1997 by and between Russell A. Beliveau (the "Executive") and MAXIMUS, Inc., a Virginia corporation with a usual place of business in McLean, Virginia (the "Corporation").

WHEREAS, Executive is a key employee of the Corporation and a holder of a substantial number of shares of the issued and outstanding capital stock of the Corporation, and

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

1. Employment.

1.1. DUTIES. The Corporation hereby employs the Executive, and the Executive hereby accepts such employment, to serve as the Vice President, Government Operation/President of Government Operations Group of the Corporation. The Executive shall provide day to day management of the Corporation's Government Operations Group and shall perform such other services and duties as are appropriate to such office. During the term of this Agreement, the Executive shall be a full time employee of the Corporation and shall devote such time and attention to the discharge of his duties as Vice President, Government Operations/President of Government Operations Group as may be necessary and appropriate to accomplish and complete such duties.

1.2. Compensation.

(a) SALARY AND REGULAR YEAR-END BONUS. As compensation for performance of his obligations hereunder, the Corporation shall pay the Executive a salary of not less than $237,500 and regular year-end bonus consistent with the Corporation's past practices.

(b) VACATION, INSURANCE, EXPENSES. The Executive shall be entitled to such vacation benefits, health, disability and life insurance benefits and expense reimbursements in a manner consistent with the Corporation's past practices.

1.3. TERM; TERMINATION. The term of the employment agreement set forth in this Section 1 shall be for a period commencing on the date hereof and continuing until September 30, 2001, provided that this Agreement shall terminate:

(a) by mutual written consent of the parties; or

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

(c) by the Corporation for cause, which shall mean in the event of Executive's breach of any material duty or obligation hereunder, or intentional or grossly negligent conduct that is materially injurious to the Corporation, as reasonably determined by the Corporation's Board of Directors, or willful failure to follow the reasonable directions of the Corporation's Board of Directors.

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

2. NON-COMPETITION.

2.1. UNDERTAKING. The Executive agrees that while the Executive is employed by the Corporation and thereafter, until _____________ [4 years after the date hereof] (the "Expiration Date"), the Executive shall not, without the

Corporation's prior written consent, directly or indirectly, as a principal, employee, consultant, partner, or stockholder of, or in any other capacity with, any business enterprise (other than in the Executive's capacity as a holder of not more than 1% of the combined voting power of the outstanding stock of a publicly held company) (a) engage in direct or indirect competition with the Corporation, (b) conduct a business of the type or character engaged in by the Corporation at the time of termination or cessation of the Executive's employment or (c) develop products or services competitive with those of the Corporation.

2.2. PROHIBITED ACTIVITIES. (a) The Executive agrees that, during his employment with the Corporation, and thereafter for a period of two years after the termination of such employment, the Executive will not engage in any unethical behavior which may adversely affect the Corporation. For the purpose of this Section 2.2, "Unethical Behavior" is defined as:

(1) any attempt, successful or unsuccessful, by the Executive to divert any existing contracts or subcontracts from the Corporation to any other firm, whether or not affiliated with the Executive;

(2) any attempt, successful or unsuccessful by the Executive, to adversely influence clients of the Corporation or organizations with which the Corporation has a contract or a proposal pending as of the date of the Executive's termination from the Corporation;

(3) any attempt, successful or unsuccessful, by the Executive to divert any contracts or subcontracts which are pending as of the date of Executive's termination from the Corporation to any other firm, whether or not affiliated with the Executive;

(4) any attempt, successful or unsuccessful, by the Executive to offer his services, or to influence any other employee of the Corporation to offer their services, to any firm to compete against the Corporation in the performance of services provided under existing contracts or follow-ons to existing contracts or pending proposals with the Corporation's clients as of the date of the Executive's termination; or

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

(b) The Executive agrees that, in addition to any other remedy available to the Corporation, in the event of a breach by the Executive of the terms of this Section 2.2 the Corporation may set off against any amounts due the Executive, an amount equal to the gross revenues which such Executive, or any entity with which the Executive is employed, affiliated or associated, receives or is entitled to receive, from any existing clients (or potential clients with whom a proposal is pending) of the Corporation during the two-year period provided in this Section 2.2.

(c) The provisions of this Section 2.2 shall continue for a period of two years after termination of the Executive's employment with the Corporation, whether voluntary or involuntary, with or without cause. The Executive shall notify any new employer, partner, association or any other firm or corporation actually or potentially in competition with the Corporation with whom the Executive shall become associated in any capacity whatsoever of the provisions of this Section 2.2 and the Executive agrees that the Corporation may give such notice to such firm, corporation or other person.

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

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

(b) The Executive, in his capacity as an employee of the Corporation, shall not engage in any business with any member of the Executive's immediate family or with any person or business entity in which the Executive or any member of the Executive's immediate family has any ownership interest or financial interest, unless and until the Executive has first fully disclosed such interest to the Board of Directors and received written consent from the Board of Directors, signed by the Chairman of such board. As used herein, the term "immediate family" means the Executive's spouse, natural or adopted children, parents or siblings and the term "financial interest" means any relationship with such person or business entity that may monetarily benefit the Executive or member of the Executive's immediate family, including any lending relationship or the guarantying of any obligations of such person or business

entity by the Executive or member of his immediate family.

(c) The parties hereto acknowledge and agree that the Executive may engage in outside civic, political, social, educational and professional activities and may serve on the boards of directors of other corporations; provided, however, that such activities shall not have priority over or adversely affect or conflict with the business of the Corporation or its clients, or interfere with the mobility of the Executive to fulfill the Executive's duties to the Corporation as a full-time employee and officer and director of the Corporation, as conclusively determined by the Board of Directors of the Corporation.

(d) The parties hereto agree that the Executive may, consistent with this Section 1.3, receive and retain speaking fees, referral fees from business opportunities not accepted by the Corporation, and fees from outside business activities and opportunities of the Executive consented to by the Board of Directors of the Corporation.

3. Confidentiality.

3.1. NON-DISCLOSURE. The parties hereto agree that the Corporation's books, records, files and all other information relating to the Corporation (that is not otherwise available in the Public Domain), its business and its clients are proprietary in nature and contain trade secrets and shall be held in strict confidence by the parties hereto, and shall not, either during the term of this Agreement or after the termination hereof, be intentionally disclosed, directly or indirectly, to any third party, person, firm, corporation or other entity, irrespective of whether such person or entity is a competitor of the Corporation or is engaged in a business similar to that of the Corporation; except in furtherance of the Corporation's business. The trade secrets or other proprietary or confidential information referred to in the prior sentence includes, without limitation, all proposals to clients or potential clients, contracts, client or potential client lists, fee policies, financial information. administration or marketing practices or procedures and all other information regarding the business of the Corporation and its clients not generally known to the public.

3.2. TRADE SECRETS. The parties hereto hereby acknowledge and agree that all proprietary information referred to in this Section 2 shall be deemed trade secrets of the Corporation and that each party hereto shall take such steps, undertake such actions and refrain from taking such other actions, as mandated by the provisions hereof and by the provisions of the laws of the Commonwealth of Virginia.

4. Stock Restrictions.

4.1. TRANSFERS. The Executive may not offer, sell, assign, grant a participation in, pledge or otherwise transfer ("Transfer") any of the Executive's shares of Common Stock of the Corporation (including shares acquired after the date hereof) (the "Shares") except in compliance with the Securities Act of 1933, as amended (the "Act"), and any applicable state securities laws. In addition, until the Expiration Date, the Executive may not Transfer any of the Executive's Shares without the prior written consent of the Corporation after complying with Section 4.3 below, other than (i) subject to Section 4.4 below, to any Permitted Transferee (as defined in Section 4.4) or (ii) as may be required by applicable federal or state law or regulation or (iii) pursuant to a registration of such shares under Section 5 below.

4.2. RESTRICTIVE LEGEND. Until the Expiration Date, each certificate representing Shares owned by the Executive shall include a legend in substantially the following form:

> UNTIL ________ __, 2001, THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER AS SET FORTH IN AN EXECUTIVE NON-COMPETE, CONFIDENTIALITY AND STOCK RESTRICTION AGREEMENT, DATED AS OF ________ __, 1997, A COPY OF WHICH MAY BE OBTAINED FROM MAXIMUS, INC.

4.3. REQUEST FOR CONSENT TO TRANSFER. The Executive may request consent to transfer from the Corporation by providing written notice to the

Corporation of such holder's intention to effect such transfer, setting forth the manner and circumstances of the proposed transfer in reasonable detail. In the discretion of the Corporation, such consent may be conditioned upon the delivery to the Corporation of an instrument substantially in the form of Exhibit A hereto pursuant to which the transferee shall have agreed to be bound by the terms of this Section 4. In such case, each certificate evidencing Shares or interests therein transferred as provided in this Section 4.3 shall bear the legend set forth in Section 4.2 hereof.

4.4. TRANSFERS TO PERMITTED TRANSFEREE. "Permitted Transferee" shall mean (i) the spouse, ancestor, lineal descendants and other family members of the Executive, and any trust for the benefit of the foregoing, (including adopted descendants), (ii) any entities established principally for charitable purposes to which the Executive Transfers any Shares by way of gift and (iii) any person or entity to whom the Shares are Transferred by virtue of a pledge by the Executive to secure a borrowing from such Permitted Transferee. The Executive may transfer some or all of the Shares to a Permitted Transferee only if the Corporation shall have received notice of such transfer and an instrument substantially in the form of Exhibit A hereto pursuant to which the Permitted Transferee shall have agreed to be bound by the terms of this Section 4. Each certificate evidencing Shares or interests therein transferred as provided in this Section 4.4 shall bear the legend set forth in Section 4.2 hereof.

4.5. IMPROPER TRANSFER. (a) Any attempt to Transfer any Shares not in compliance with this Agreement shall be null and void and neither the Corporation nor any transfer agent of the Corporation shall register, or otherwise recognize in the Corporation's records, any such improper Transfer.

(b) The Executive shall not enter into any transaction or series of transactions for the purpose or with the effect of, directly or indirectly, denying or impairing the rights or obligations of the Corporation under this Agreement, and any such transaction shall be null and void and, to the extent that such transaction requires any action by the Corporation, it shall not be registered or otherwise recognized in the Corporation's records or otherwise.

4.6. ACCESS TO RECORDS AND DOCUMENTS. At any time during which the Executive is a stockholder and/or a member of the Board of Directors of the Corporation, the

Executive shall be entitled to inspect and copy such records and documents to the extent provided by the Stock Corporation Act of the Commonwealth of Virginia and any other applicable law.

5. Registration Rights.

5.1. Secondary Registration.

(a) REGISTRATION FOR RESALE. The Corporation intends to seek to create liquidity for the Shares held by the Executive prior to the Expiration Date. In the sole discretion of the Corporation, the Corporation may file with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-8 or Form S-3 (or similar form) sufficient to permit the public offering and sale of the Registrable Shares (as defined below) through all securities exchanges and over-the-counter markets on which the Corporation's Common Stock is then traded. For the purposes of this Agreement, "Registrable Shares" shall mean outstanding Shares and Shares issuable upon exercise of then-exercisable options held by the Executive and any other person holding registration rights substantially the same as the rights set forth in this Section 5, which Shares are not at that time the subject of an effective registration statement filed with the Commission. For the purposes of this Agreement, "Holders" shall mean all persons holding Registrable Shares including Permitted Transferees.

(b) NOTICE OF FILING OF REGISTRATION STATEMENT. In the event the Corporation determines to file a registration pursuant to Section 5.1(a), the Corporation shall notify each Holder of the proposed filing and request that each Holder notify the Corporation within 15 days thereafter of the number of Registrable Shares such Holder wishes the Corporation to register on such Holder's behalf. Each Holder shall, prior to the end of such 15 day period, request in writing that the Corporation register the sale of all or part of such Holder's Registrable Shares.

5.2. Piggyback Registration Rights.

(a) OFFER TO INCLUDE REGISTRABLE SHARES IN CORPORATION OFFERING. If, at any time prior to the Expiration Date, the Corporation shall

file a registration statement to register shares of Common Stock for its own account in an underwritten offering with the Commission while any Registrable Shares are outstanding, the Corporation shall give all the Holders at least 45 days prior written notice of the filing of such registration statement. Subject to 5.2(b) below, if requested by any Holder in writing within 30 days after receipt of any such notice, the Corporation shall register or qualify all or, at each Holder's option, any portion of the Registrable Shares of any Holders who shall have made such request, concurrently with the registration of such other securities, all to the extent requisite to permit the public offering and sale of the Registrable Shares through the facilities of all appropriate securities exchanges and the over-the-counter market, and will use its best efforts through its officers, directors, auditors, and counsel to cause such registration statement to become effective as promptly as practicable.

(b) CUTBACK OF PARTICIPATION IN CORPORATION OFFERING. Notwithstanding Section 5.2(a), if the managing underwriter of any such offering shall advise the Corporation in writing that, in its opinion, the distribution of all or a portion of the Registrable Shares requested to be included in the registration concurrently with the securities being registered by the Corporation would materially adversely affect the distribution of such securities by the Corporation for its own account, then the number of Registrable Shares held by such Holder to be included in such registration statement shall be reduced to the extent advised by such managing underwriter, provided that any such reduction shall be made pro rata among the Holders electing to participate in such registration based on the aggregate number of Registrable Shares held by each Holder electing to so participate, and provided further that the total number of Registrable Shares included in any such registration shall not be less than 25% of the total number of shares of Common Stock included in the registration for the Corporation's account, the Holders account and the account of any other person.

5.3. Underwriting.

(a) UNDERWRITING IN SECONDARY REGISTRATION. If the Corporation undertakes a registration under Section 5.1, any Holder wishing to distribute the Registrable Shares which such Holder has requested to be registered in such registration by means of an underwriting, such Holder shall so advise the Corporation in such Holder's request to participate in such registration under Section 5.1(b). The Holders of a majority of the Registrable Shares being offered may select one or more underwriters for the registration under Section 5.1, which selection shall be approved by the Corporation, which approval shall not be unreasonably withheld provided such underwriter(s) are experienced and reputable. The Corporation shall, together with the Holders engaged in the registration hereunder, enter into an underwriting agreement with the representative of the underwriter or underwriters selected for such underwriting in accordance with this Section 5.3(a).

(b) UNDERWRITING IN PIGGYBACK REGISTRATION. In the event of an underwritten registration pursuant to the provisions of Section 5.2, any Holder who requests to have Registrable Shares included in such registration shall enter into such custody agreements and powers of attorney as are reasonably requested by the Corporation and any such underwriter, and, if requested, enter into an underwriting agreement containing customary terms.

(c) RIGHT OF WITHDRAWAL FROM UNDERWRITING. In the event of an underwritten offering under Section 5.3(a) or (b), the right of a Holder to participate in a registration hereunder shall be conditioned upon the inclusion of such Holder's Registrable Shares in such underwriting. If a Holder disapproves of the terms of the underwriting, such Holder may elect to withdraw therefrom by written notice to the Corporation and the underwriter delivered at least seven days prior to the effective date of the Registration Statement. The securities so withdrawn shall also be withdrawn from the Registration Statement.

5.4. EFFECTIVENESS AND EXPENSES. The Corporation will use its best efforts through its officers, directors, auditors and counsel to cause any Registration Statement filed pursuant to this Section 5 to become effective as promptly as practicable. The Corporation shall be obligated to use its best efforts to maintain the effectiveness of such Registration Statement only until the earlier of (i) the Expiration Date, and (ii) the date on which no Registrable Shares remain outstanding (the "Registration Termination Date"). The

Corporation shall be obligated to pay all expenses (other than the fees and disbursements of counsel for the Holders and underwriting discounts, if any, payable in respect of the Registrable Shares sold by the Holders) in connection with any such registration statement.

5.5. BLUE SKY REGISTRATIONS. In the event of a registration pursuant to the provisions of this Section 5, the Corporation shall use its best efforts to cause the Registrable Shares so registered to be registered or qualified for sale under the securities or blue sky laws of such jurisdictions as the Holders may reasonably request; provided, however, that the Corporation shall not be required to qualify to do business in any state by reason of this Section 5.5 in which it is not otherwise required to qualify to do business.

5.6. CONTINUING EFFECTIVENESS. Until the Registration Termination Date, the Corporation shall use its best efforts to keep effective any registration or qualification contemplated by this Section 5 and shall from time to time amend or supplement each applicable registration statement, preliminary prospectus, final prospectus, application, document and communication for such period of time as shall be required to permit the Holders to complete the offer and sale of the Registrable Shares covered thereby.

5.7. COPIES OF REGISTRATION STATEMENT AND RELATED DOCUMENTS. In the event of a registration pursuant to the provisions of this Section 5, the Corporation shall furnish to each Holder a copy of the Registration Statement and of each amendment and supplement thereto (in each case, including all exhibits), and a reasonable number of copies of each prospectus contained in such registration statement and each supplement or amendment thereto (including each preliminary prospectus), all of which shall conform to the requirements of the Act, and the rules and regulations thereunder, and such other documents, as any Holder may reasonably request to facilitate the disposition of the Registrable Shares included in such registration.

5.8. RULE 144 ELIGIBILITY. The Corporation agrees that, following the Expiration Date, until all the Registrable Shares have been sold under a registration statement or pursuant to Rule 144 under the Act, the Corporation shall use its best efforts to keep current in filing all reports, statements and other materials required to be filed with the Commission to permit holders of the Registrable Shares to sell such securities under Rule 144.

6. Indemnity.

6.1. CORPORATION INDEMNIFICATION OF THE HOLDERS. Subject to the conditions set forth below, the Corporation agrees to indemnify and hold harmless each Holder, its officers, directors, partners, employees, agents and counsel, if any, and each person, if any, who controls any such person within the meaning of Section 15 of the Act or Section 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), if any, from and against any and all loss, liability, charge, claim, damage and expense whatsoever (which shall include, for all purposes of this Section 6, without limitation, attorneys' fees and any and all expenses whatsoever incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, and any and all amounts paid in settlement of any claim or litigation), as and when incurred, arising out of, based upon, or in connection with any untrue statement or alleged untrue statement of a material fact contained in any registration statement, preliminary prospectus or final prospectus (as from time to time amended and supplemented), or any amendment or supplement thereto, relating to the sale of any of the Registrable Shares, filed with the Commission or any securities exchange; or any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, unless such statement or omission was made in reliance upon and in conformity with written information furnished to the Corporation with respect to such Holder by or on behalf of such person expressly for inclusion in any registration statement, preliminary prospectus, or final prospectus, or any amendment or supplement thereto, as the case may be. The foregoing agreement to indemnify shall be in addition to any liability the Corporation may otherwise have, including liabilities arising under this Agreement.

If any action is brought against any Holder or any of its officers, directors, partners, employees, agents or counsel, or any controlling persons of such person (an "Indemnified Party") in respect of which indemnity may be sought against the Corporation pursuant to the foregoing paragraph, such Indemnified Party or Parties shall promptly notify the Corporation in writing of the institution of such action (but the failure so to notify shall not relieve the Corporation from any liability other than pursuant to this Section 6.1) and the Corporation shall promptly assume the defense of such action, including the employment of counsel (reasonably satisfactory to such Indemnified Party or parties) and payment of expenses. Such Indemnified Party or parties shall have

the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or parties unless the employment of such counsel shall have been authorized in writing by the Corporation in connection with the defense of such action or the Corporation shall not have promptly employed counsel reasonably satisfactory to such Indemnified Party or Parties to have charge of the defense of such action or such Indemnified Party or parties shall have reasonably concluded that there may be one or more legal defenses available to it or them or to other indemnified parties which are different from or additional to those available to the Corporation, in any of which events such fees and expenses shall be borne by the Corporation, and the Corporation shall not have the right to direct the defense of such action on behalf of the Indemnified Party or Parties. Anything in this Section 5 to the contrary notwithstanding, the Corporation shall not be liable for any settlement of any such claim or action effected without its written consent, which shall not be unreasonably withheld. The Corporation shall not, without

the prior written consent of each Indemnified Party that is not released as described in this sentence, settle or compromise any action, or permit a default or consent to the entry of judgment in or otherwise seek to terminate any pending or threatened action, in respect of which indemnity may be sought hereunder (whether or not any Indemnified Party is a party thereto), unless such settlement, compromise, consent or termination includes an unconditional release of each Indemnified Party from all liability in respect of such action. The Corporation agrees promptly to notify the Holders of the commencement of any litigation or proceedings against the Corporation or any of its officers or directors in connection with the sale of any Registrable Shares or any preliminary prospectus, prospectus, registration statement or amendment or supplement thereto, or any application relating to any sale of any Registrable Shares.

6.2. HOLDER INDEMNIFICATION OF THE CORPORATION. Each Holder participating in any such registration shall indemnify and hold harmless the Corporation, each director of the Corporation, each officer of the Corporation who shall have signed the registration statement covering Registrable Shares held by the Holder, each other person, if any, who controls the Corporation within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, and its or their respective counsel, to the same extent as the foregoing indemnity from the Corporation to the Holders in Section 6.1, but only with respect to statements or omissions, if any, made in any registration statement, preliminary prospectus or final prospectus (as from time to time amended and supplemented), or any amendment or supplement thereto, in reliance upon and in conformity with written information furnished to the Corporation with respect to such Holder by or on behalf of such Holder expressly for inclusion in any such registration statement, preliminary prospectus or final prospectus, or any amendment or supplement thereto, as the case may be. If any action shall be brought against the Corporation or any other person so indemnified based on any such registration statement, preliminary prospectus or final prospectus, or any amendment or supplement thereto, or in any application, and in respect of which indemnity may be sought against such Holder pursuant to this Section 6.2, such Holder shall have the rights and duties given to the Corporation and the Corporation and each other person so indemnified shall have the rights and duties given to the indemnified parties, by the provisions of Section 6.1.

6.3. CONTRIBUTION. To provide for just and equitable contribution, if (i) an Indemnified Party makes a claim for indemnification pursuant to Section 6.1 or 6.2 but it is found in a final judicial determination, not subject to further appeal, that such indemnification may not be enforced in such case, even though this Agreement expressly provides for indemnification in such case, or (ii) any indemnified or indemnifying party seeks contribution under the Act, the Exchange Act or otherwise, then the Corporation (including for this purpose any contribution made by or on behalf of any director of the Corporation, any officer of the Corporation who signed any such registration statement, any controlling person of the Corporation, and its or their respective counsel), as one entity, and the Holders of the Registrable Shares included in such registration in the aggregate (including for this purpose any contribution by or on behalf of an Indemnified Party), as a second entity, shall contribute to the losses, liabilities, claims, damages and expenses whatsoever to which any of them may be

subject, on the basis of relevant equitable considerations such as the relative fault of the Corporation and such Holders in connection with the facts which resulted in such losses, liabilities, claims, damages and expenses. The relative

fault, in the case of an untrue statement, alleged untrue statement, omission or alleged omission, shall be determined by, among other things, whether such statement, alleged statement, omission or alleged omission relates to information supplied by the Corporation or by such Holders, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement, alleged statement, omission or alleged omission. The Corporation and the Holder agree that it would be unjust and inequitable if the respective obligations of the Corporation and the Holders for the contribution were determined by pro rata or per capita allocation of the aggregate losses, liabilities, claims, damages and expenses (even if the Holder and the other indemnified parties were treated as one entity for such purpose) or by any other method of allocation that does not reflect the equitable considerations, referred to in this Section 6.3. In no case shall any Holder be responsible for a portion of the contribution obligation imposed on all Holders in excess of its pro rata share based on the number of Registrable Shares of by it and included in such registration as compared to the number of Registrable Shares owned by all Holders and included in such registration. No person guilty of a fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation. For purposes of this Section 6.3, each person, if any, who controls any Holder within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act and each officer, director, partner, employee, agent and counsel of each such Holder or control person shall have the same rights to contribution as such Holder or control person and each person, if any, who controls the Corporation within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, each officer of the Corporation who shall have signed any such registration statement, each director of the Corporation and its or their respective counsel shall have the same right to contribution as the Corporation, subject in each case to the provisions of this Section 6.3. Anything in this Section 6.3 to the contrary notwithstanding, no party shall be liable for contribution with respect to the settlement of any claim or action effected without its written consent. This Section 6.3 is intended to supersede any right to contribution under the Act, the Exchange Act or otherwise.

7. MISCELLANEOUS.

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

If to the Corporation,

MAXIMUS, Inc.
1356 Beverly Road
McLean, Virginia 22201
Attention: David V. Mastran

If to the Executive,

Russell A. Beliveau
MAXIMUS, INC.
1485 River Park Drive, #200
Sacramento, CA 95815

Any notice, request, demand or other communication delivered or sent in the foregoing manner shall be deemed given or made (as the case may be) upon the earliest of (i) the date it is actually received, (ii) the business-day after the day on which it is delivered by hand, (iii) the business day after the day on which it is properly delivered to Federal Express (or a comparable overnight delivery service), or (iv) the third business day after the date on which it is deposited in the United States mail. Either party may change its address by notifying the other party of the new address in any manner permitted by this paragraph. Rejection or other refusal to accept or the inability to deliver because of a changed address of which no notice was given shall not affect the date of such notice, election or demand sent in accordance with the foregoing provisions.

7.2. REMEDIES. The parties hereto further agree and acknowledge that any violation by the Executive of the terms hereof may result in irreparable

injury and damage to the Executive, Corporation or its clients, as the case may be, which will not adequately be compensable in monetary damages, that the Corporation will have no adequate remedy at law therefor, and that the Corporation may obtain such preliminary, temporary or permanent mandatory or restraining injunctions, orders or decrees as may be necessary to protect it against, or on account of, any breach of the provisions contained in this Agreement.

7.3. NO OBLIGATION OF CONTINUED EMPLOYMENT AFTER TERMINATION OF SECTION 1. Except as set forth in Section 1 hereof, the Executive understands that this Agreement does not constitute a contract of employment or create an obligation on the part of the Corporation to continue the Executive's employment with the Corporation.

7.4. BENEFIT; ASSIGNMENT. This Agreement shall bind and inure to the benefit of the parties and their respective personal representatives, heirs, successors and assigns, provided this Agreement may not be assigned by either party without the consent of the other except that the Corporation may assign this Agreement in connection with the merger, consolidation or sale of all or substantially all of its business or assets. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and other legal representatives and, to the extent that any assignment hereof is permitted hereunder, their assignees.

7.5. ENTIRE AGREEMENT. This Agreement supersedes all prior agreements, written or oral, with respect to the subject matter of this Agreement, including the Shareholder Agreement dated January 2, 1996.

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

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

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

7.9. GOVERNING LAW. This Agreement shall be construed as a sealed instrument and shall in all events and for all purposes be governed by, and construed in accordance with, the laws of the Commonwealth of Virginia without regard to any choice of law principle that would dictate the application of the laws of another jurisdiction. Any action, suit or other legal proceeding which the Executive may commence to resolve any matter arising under or relating to any provision of this Agreement shall be commenced only in a court of the Commonwealth of Virginia (or, if appropriate, a federal court located within Virginia), and the Executive hereby consent to the jurisdiction of such court with respect to any action, suit or proceeding

commenced in such court by the Corporation. The Section headings are included solely for convenience and shall in no event affect or be used in connection with, the interpretation of this Agreement.

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

7.10. AMENDMENTS. No alterations or additions to this Agreement shall be binding unless in writing and signed by both the parties.

7.11. GENDERS. Whenever reasonably necessary, pronouns of any gender shall be deemed synonymous, as shall singular and plural pronouns.

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

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

Russell A. Beliveau

MAXIMUS, INC.

By:

Name:
Title:

EXHIBIT A

FORM OF AGREEMENT TO BE BOUND

[DATE]

MAXIMUS, INC.
1356 Beverly Road
McLean, VA 22101

Ladies and Gentlemen:

Reference is made to the Executive Non-Compete, Confidentiality and Stock Restriction Agreement (the "Agreement") dated as of _____________ __, 1997 between MAXIMUS, Inc. (the "Company") and Russell A. Beliveau (the "Transferor").

The undersigned is the transferee of _________ shares of _____________ Common Stock of the Corporation from the Transferor (the "Shares").

In consideration of the representations, covenants and agreements contained in the Agreement, the undersigned hereby confirms and agrees to be bound by all of the provisions of Section 3 of the Agreement applicable to the Transferor with respect to the Shares.

This letter shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia without regard to the conflicts of law rules of such state.

Very truly yours,

EXHIBIT 10.7

EXECUTIVE EMPLOYMENT, NON-COMPETE, CONFIDENTIALITY AND STOCK RESTRICTION AGREEMENT

[Pepin]

EMPLOYMENT AGREEMENT entered into this ___ day of ___________, 1997 by and between Susan D. Pepin (the "Executive") and MAXIMUS, Inc., a Virginia corporation with a usual place of business in McLean, Virginia (the "Corporation").

WHEREAS, Executive is a key employee of the Corporation and a holder of a substantial number of shares of the issued and outstanding capital stock of the Corporation, and

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

1. Employment.

1.1. DUTIES. The Corporation hereby employs the Executive, and the Executive hereby accepts such employment, to serve as the President of Systems Planning and Integration Division of the Corporation. The Executive shall provide day to day management of the Corporation's Systems Planning and Integration Division and shall perform such other services and duties as are appropriate to such office. During the term of this Agreement, the Executive shall be a full time employee of the Corporation and shall devote such time and attention to the discharge of her duties as the President of Systems Planning and Integration Division as may be necessary and appropriate to accomplish and complete such duties.

1.2. Compensation.

(a) SALARY AND REGULAR YEAR-END BONUS. As compensation for performance of her obligations hereunder, the Corporation shall pay the Executive a salary of not less than $220,000 and regular year-end bonus consistent with the Corporation's past practices.

(b) VACATION, INSURANCE, EXPENSES. The Executive shall be entitled to such vacation benefits, health, disability and life insurance benefits and expense reimbursements in a manner consistent with the Corporation's past practices.

1.3. TERM; TERMINATION. The term of the employment agreement set forth in this Section 1 shall be for a period commencing on the date hereof and continuing until September 30, 2001, provided that this Agreement shall terminate:

(a) by mutual written consent of the parties; or

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

(c) by the Corporation for cause, which shall mean in the event of Executive's breach of any material duty or obligation hereunder, or intentional or grossly negligent conduct that is materially injurious to the Corporation, as reasonably determined by the Corporation's Board of Directors, or willful failure to follow the reasonable directions of the Corporation's Board of Directors.

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

2. Non-Competition.

2.1. UNDERTAKING. The Executive agrees that while the Executive is employed by the Corporation and thereafter, until _____________ [4 years after the date hereof] (the "Expiration Date"), the Executive shall not, without the Corporation's prior written consent, directly or indirectly, as a principal,

employee, consultant, partner, or stockholder of, or in any other capacity with, any business enterprise (other than in the Executive's capacity as a holder of not more than 1% of the combined voting power of the outstanding stock of a publicly held company) (a) engage in direct or indirect competition with the Corporation, (b) conduct a business of the type or character engaged in by the Corporation at the time of termination or cessation of the Executive's employment or (c) develop products or services competitive with those of the Corporation.

2.2. PROHIBITED ACTIVITIES. (a) The Executive agrees that, during his employment with the Corporation, and thereafter for a period of two years after the termination of such employment, the Executive will not engage in any unethical behavior which may adversely affect the Corporation. For the purpose of this Section 2.2, "Unethical Behavior" is defined as:

(1) any attempt, successful or unsuccessful, by the Executive to divert any existing contracts or subcontracts from the Corporation to any other firm, whether or not affiliated with the Executive;

(2) any attempt, successful or unsuccessful by the Executive, to adversely influence clients of the Corporation or organizations with which the Corporation has a contract or a proposal pending as of the date of the Executive's termination from the Corporation;

(3) any attempt, successful or unsuccessful, by the Executive to divert any contracts or subcontracts which are pending as of the date of Executive's termination from the Corporation to any other firm, whether or not affiliated with the Executive;

(4) any attempt, successful or unsuccessful, by the Executive to offer his services, or to influence any other employee of the Corporation to offer their services, to any firm to compete against the Corporation in the performance of services provided under existing contracts or follow-ons to existing contracts or pending proposals with the Corporation's clients as of the date of the Executive's termination; or

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

(b) The Executive agrees that, in addition to any other remedy available to the Corporation, in the event of a breach by the Executive of the terms of this Section 2.2 the Corporation may set off against any amounts due the Executive, an amount equal to the gross revenues which such Executive, or any entity with which the Executive is employed, affiliated or associated, receives or is entitled to receive, from any existing clients (or potential clients with whom a proposal is pending) of the Corporation during the two-year period provided in this Section 2.2.

(c) The provisions of this Section 2.2 shall continue for a period of two years after termination of the Executive's employment with the Corporation, whether voluntary or involuntary, with or without cause. The Executive shall notify any new employer, partner, association or any other firm or corporation actually or potentially in competition with the Corporation with whom the Executive shall become associated in any capacity whatsoever of the provisions of this Section 2.2 and the Executive agrees that the Corporation may give such notice to such firm, corporation or other person.

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

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

(b) The Executive, in his capacity as an employee of the Corporation, shall not engage in any business with any member of the Executive's immediate family or with any person or business entity in which the Executive or any member of the Executive's immediate family has any ownership interest or financial interest, unless and until the Executive has first fully disclosed such interest to the Board of Directors and received written consent from the Board of Directors, signed by the Chairman of such board. As used herein, the term "immediate family" means the Executive's spouse, natural or adopted children, parents or siblings and the term "financial interest" means any relationship with such person or business entity that may monetarily benefit the Executive or member of the Executive's immediate family, including any lending relationship or the guarantying of any obligations of such person or business entity by the Executive or member of his immediate family.

(c) The parties hereto acknowledge and agree that the Executive may engage in outside civic, political, social, educational and professional activities and may serve on the boards of directors of other corporations; provided, however, that such activities shall not have priority over or adversely affect or conflict with the business of the Corporation or its clients, or interfere with the mobility of the Executive to fulfill the Executive's duties to the Corporation as a full-time employee and officer and director of the Corporation, as conclusively determined by the Board of Directors of the Corporation.

(d) The parties hereto agree that the Executive may, consistent with this Section 1.3, receive and retain speaking fees, referral fees from business opportunities not accepted by the Corporation, and fees from outside business activities and opportunities of the Executive consented to by the Board of Directors of the Corporation.

3. CONFIDENTIALITY.

3.1. NON-DISCLOSURE. The parties hereto agree that the Corporation's books, records, files and all other information relating to the Corporation (that is not otherwise available in the Public Domain), its business and its clients are proprietary in nature and contain trade secrets and shall be held in strict confidence by the parties hereto, and shall not, either during the term of this Agreement or after the termination hereof, be intentionally disclosed, directly or indirectly, to any third party, person, firm, corporation or other entity, irrespective of whether such person or entity is a competitor of the Corporation or is engaged in a business similar to that of the Corporation; except in furtherance of the Corporation's business. The trade secrets or other proprietary or confidential information referred to in the prior sentence includes, without limitation, all proposals to clients or potential clients, contracts, client or potential client lists, fee policies, financial information. administration or marketing practices or procedures and all other information regarding the business of the Corporation and its clients not generally known to the public.

3.2. TRADE SECRETS. The parties hereto hereby acknowledge and agree that all proprietary information referred to in this Section 2 shall be deemed trade secrets of the Corporation and that each party hereto shall take such steps, undertake such actions and refrain from taking such other actions, as mandated by the provisions hereof and by the provisions of the laws of the Commonwealth of Virginia.

4. STOCK RESTRICTIONS.

4.1. TRANSFERS. The Executive may not offer, sell, assign, grant a participation in, pledge or otherwise transfer ("Transfer") any of the Executive's shares of Common Stock of the Corporation (including shares acquired after the date hereof) (the "Shares") except in compliance with the Securities Act of 1933, as amended (the "Act"), and any applicable state securities laws. In addition, until the Expiration Date, the Executive may not Transfer any of the Executive's Shares without the prior written consent of the Corporation after complying with Section 4.3 below, other than (i) subject to Section 4.4 below, to any Permitted Transferee (as defined in Section 4.4) or (ii) as may be required by applicable federal or state law or regulation or (iii) pursuant to a registration of such shares under Section 5 below.

4.2. RESTRICTIVE LEGEND. Until the Expiration Date, each certificate representing Shares owned by the Executive shall include a legend in substantially the following form:

UNTIL ________ __, 2001, THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER AS SET FORTH IN AN EXECUTIVE NON-COMPETE, CONFIDENTIALITY AND STOCK RESTRICTION AGREEMENT, DATED AS OF ________ __, 1997, A COPY OF WHICH MAY BE OBTAINED FROM MAXIMUS, INC.

4.3. REQUEST FOR CONSENT TO TRANSFER. The Executive may request consent to transfer from the Corporation by providing written notice to the

Corporation of such holder's intention to effect such transfer, setting forth the manner and circumstances of the proposed transfer in reasonable detail. In the discretion of the Corporation, such consent may be conditioned upon the delivery to the Corporation of an instrument substantially in the form of Exhibit A hereto pursuant to which the transferee shall have agreed to be bound by the terms of this Section 4. In such case, each certificate evidencing Shares or interests therein transferred as provided in this Section 4.3 shall bear the legend set forth in Section 4.2 hereof.

4.4. TRANSFERS TO PERMITTED TRANSFEREE. "Permitted Transferee" shall mean (i) the spouse, ancestor, lineal descendants and other family members of the Executive, and any trust for the benefit of the foregoing, (including adopted descendants), (ii) any entities established principally for charitable purposes to which the Executive Transfers any Shares by way of gift and (iii) any person or entity to whom the Shares are Transferred by virtue of a pledge by the Executive to secure a borrowing from such Permitted Transferee. The Executive may transfer some or all of the Shares to a Permitted Transferee only if the Corporation shall have received notice of such transfer and an instrument substantially in the form of Exhibit A hereto pursuant to which the Permitted Transferee shall have agreed to be bound by the terms of this Section 4. Each certificate evidencing Shares or interests therein transferred as provided in this Section 4.4 shall bear the legend set forth in Section 4.2 hereof.

4.5. IMPROPER TRANSFER. (a) Any attempt to Transfer any Shares not in compliance with this Agreement shall be null and void and neither the Corporation nor any transfer agent of the Corporation shall register, or otherwise recognize in the Corporation's records, any such improper Transfer.

(b) The Executive shall not enter into any transaction or series of transactions for the purpose or with the effect of, directly or indirectly, denying or impairing the rights or obligations of the Corporation under this Agreement, and any such transaction shall be null and void and, to the extent that such transaction requires any action by the Corporation, it shall not be registered or otherwise recognized in the Corporation's records or otherwise.

4.6. ACCESS TO RECORDS AND DOCUMENTS. At any time during which the Executive is a stockholder and/or a member of the Board of Directors of the Corporation, the

Executive shall be entitled to inspect and copy such records and documents to the extent provided by the Stock Corporation Act of the Commonwealth of Virginia and any other applicable law.

5. Registration Rights.

5.1. Secondary Registration.

(a) REGISTRATION FOR RESALE. The Corporation intends to seek to create liquidity for the Shares held by the Executive prior to the Expiration Date. In the sole discretion of the Corporation, the Corporation may file with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-8 or Form S-3 (or similar form) sufficient to permit the public offering and sale of the Registrable Shares (as defined below) through all securities exchanges and over-the-counter markets on which the Corporation's Common Stock is then traded. For the purposes of this Agreement, "Registrable Shares" shall mean outstanding Shares and Shares issuable upon exercise of then-exercisable options held by the Executive and any other person holding registration rights substantially the same as the rights set forth in this Section 5, which Shares are not at that time the subject of an effective registration statement filed with the Commission. For the purposes of this Agreement, "Holders" shall mean all persons holding Registrable Shares including Permitted Transferees.

(b) NOTICE OF FILING OF REGISTRATION STATEMENT. In the event the Corporation determines to file a registration pursuant to Section 5.1(a), the Corporation shall notify each Holder of the proposed filing and request that each Holder notify the Corporation within 15 days thereafter of the number of Registrable Shares such Holder wishes the Corporation to register on such Holder's behalf. Each Holder shall, prior to the end of such 15 day period, request in writing that the Corporation register the sale of all or part of such Holder's Registrable Shares.

5.2. Piggyback Registration Rights.

(a) OFFER TO INCLUDE REGISTRABLE SHARES IN CORPORATION

OFFERING. If, at any time prior to the Expiration Date, the Corporation shall file a registration statement to register shares of Common Stock for its own account in an underwritten offering with the Commission while any Registrable Shares are outstanding, the Corporation shall give all the Holders at least 45 days prior written notice of the filing of such registration statement. Subject to 5.2(b) below, if requested by any Holder in writing within 30 days after receipt of any such notice, the Corporation shall register or qualify all or, at each Holder's option, any portion of the Registrable Shares of any Holders who shall have made such request, concurrently with the registration of such other securities, all to the extent requisite to permit the public offering and sale of the Registrable Shares through the facilities of all appropriate securities exchanges and the over-the-counter market, and will use its best efforts through its officers, directors, auditors, and counsel to cause such registration statement to become effective as promptly as practicable.

(b) CUTBACK OF PARTICIPATION IN CORPORATION OFFERING. Notwithstanding Section 5.2(a), if the managing underwriter of any such offering shall advise the Corporation in writing that, in its opinion, the distribution of all or a portion of the Registrable Shares requested to be included in the registration concurrently with the securities being registered by the Corporation would materially adversely affect the distribution of such securities by the Corporation for its own account, then the number of Registrable Shares held by such Holder to be included in such registration statement shall be reduced to the extent advised by such managing underwriter, provided that any such reduction shall be made pro rata among the Holders electing to participate in such registration based on the aggregate number of Registrable Shares held by each Holder electing to so participate, and provided further that the total number of Registrable Shares included in any such registration shall not be less than 25% of the total number of shares of Common Stock included in the registration for the Corporation's account, the Holders account and the account of any other person.

5.3. Underwriting.

(a) UNDERWRITING IN SECONDARY REGISTRATION. If the Corporation undertakes a registration under Section 5.1, any Holder wishing to distribute the Registrable Shares which such Holder has requested to be registered in such registration by means of an underwriting, such Holder shall so advise the Corporation in such Holder's request to participate in such registration under Section 5.1(b). The Holders of a majority of the Registrable Shares being offered may select one or more underwriters for the registration under Section 5.1, which selection shall be approved by the Corporation, which approval shall not be unreasonably withheld provided such underwriter(s) are experienced and reputable. The Corporation shall, together with the Holders engaged in the registration hereunder, enter into an underwriting agreement with the representative of the underwriter or underwriters selected for such underwriting in accordance with this Section 5.3(a).

(b) UNDERWRITING IN PIGGYBACK REGISTRATION. In the event of an underwritten registration pursuant to the provisions of Section 5.2, any Holder who requests to have Registrable Shares included in such registration shall enter into such custody agreements and powers of attorney as are reasonably requested by the Corporation and any such underwriter, and, if requested, enter into an underwriting agreement containing customary terms.

(c) RIGHT OF WITHDRAWAL FROM UNDERWRITING. In the event of an underwritten offering under Section 5.3(a) or (b), the right of a Holder to participate in a registration hereunder shall be conditioned upon the inclusion of such Holder's Registrable Shares in such underwriting. If a Holder disapproves of the terms of the underwriting, such Holder may elect to withdraw therefrom by written notice to the Corporation and the underwriter delivered at least seven days prior to the effective date of the Registration Statement. The securities so withdrawn shall also be withdrawn from the Registration Statement.

5.4. EFFECTIVENESS AND EXPENSES. The Corporation will use its best efforts through its officers, directors, auditors and counsel to cause any Registration Statement filed pursuant to this Section 5 to become effective as promptly as practicable. The Corporation shall be obligated to use its best efforts to maintain the effectiveness of such Registration Statement only until

the earlier of (i) the Expiration Date, and (ii) the date on which no Registrable Shares remain outstanding (the "Registration Termination Date"). The Corporation shall be obligated to pay all expenses (other than the fees and disbursements of counsel for the Holders and underwriting discounts, if any, payable in respect of the Registrable Shares sold by the Holders) in connection with any such registration statement.

5.5. BLUE SKY REGISTRATIONS. In the event of a registration pursuant to the provisions of this Section 5, the Corporation shall use its best efforts to cause the Registrable Shares so registered to be registered or qualified for sale under the securities or blue sky laws of such jurisdictions as the Holders may reasonably request; PROVIDED, HOWEVER, that the Corporation shall not be required to qualify to do business in any state by reason of this Section 5.5 in which it is not otherwise required to qualify to do business.

5.6. CONTINUING EFFECTIVENESS. Until the Registration Termination Date, the Corporation shall use its best efforts to keep effective any registration or qualification contemplated by this Section 5 and shall from time to time amend or supplement each applicable registration statement, preliminary prospectus, final prospectus, application, document and communication for such period of time as shall be required to permit the Holders to complete the offer and sale of the Registrable Shares covered thereby.

5.7. COPIES OF REGISTRATION STATEMENT AND RELATED DOCUMENTS. In the event of a registration pursuant to the provisions of this Section 5, the Corporation shall furnish to each Holder a copy of the Registration Statement and of each amendment and supplement thereto (in each case, including all exhibits), and a reasonable number of copies of each prospectus contained in such registration statement and each supplement or amendment thereto (including each preliminary prospectus), all of which shall conform to the requirements of the Act, and the rules and regulations thereunder, and such other documents, as any Holder may reasonably request to facilitate the disposition of the Registrable Shares included in such registration.

5.8. RULE 144 ELIGIBILITY. The Corporation agrees that, following the Expiration Date, until all the Registrable Shares have been sold under a registration statement or pursuant to Rule 144 under the Act, the Corporation shall use its best efforts to keep current in filing all reports, statements and other materials required to be filed with the Commission to permit holders of the Registrable Shares to sell such securities under Rule 144.

6. Indemnity.

6.1. CORPORATION INDEMNIFICATION OF THE HOLDERS. Subject to the conditions set forth below, the Corporation agrees to indemnify and hold harmless each Holder, its officers, directors, partners, employees, agents and counsel, if any, and each person, if any, who controls any such person within the meaning of Section 15 of the Act or Section 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), if any, from and against any and all loss, liability, charge, claim, damage and expense whatsoever (which shall include, for all purposes of this Section 6, without limitation, attorneys' fees and any and all expenses whatsoever incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, and any and all amounts paid in settlement of any claim or litigation), as and when incurred, arising out of, based upon, or in connection with any untrue statement or alleged untrue statement of a material fact contained in any registration statement, preliminary prospectus or final prospectus (as from time to time amended and supplemented), or any amendment or supplement thereto, relating to the sale of any of the Registrable Shares, filed with the Commission or any securities exchange; or any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, unless such statement or omission was made in reliance upon and in conformity with written information furnished to the Corporation with respect to such Holder by or on behalf of such person expressly for inclusion in any registration statement, preliminary prospectus, or final prospectus, or any amendment or supplement thereto, as the case may be. The foregoing agreement to indemnify shall be in addition to any liability the Corporation may otherwise have, including liabilities arising under this Agreement.

If any action is brought against any Holder or any of its officers, directors, partners, employees, agents or counsel, or any controlling persons of such person (an "Indemnified Party") in respect of which indemnity may be sought against the Corporation pursuant to the foregoing paragraph, such Indemnified Party or Parties shall promptly notify the Corporation in writing of the institution of such action (but the failure so to notify shall not relieve the

Corporation from any liability other than pursuant to this Section 6.1) and the Corporation shall promptly assume the defense of such action, including the employment of counsel (reasonably satisfactory to such Indemnified Party or parties) and payment of expenses. Such Indemnified Party or parties shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or parties unless the employment of such counsel shall have been authorized in writing by the Corporation in connection with the defense of such action or the Corporation shall not have promptly employed counsel reasonably satisfactory to such Indemnified Party or Parties to have charge of the defense of such action or such Indemnified Party or parties shall have reasonably concluded that there may be one or more legal defenses available to it or them or to other indemnified parties which are different from or additional to those available to the Corporation, in any of which events such fees and expenses shall be borne by the Corporation, and the Corporation shall not have the right to direct the defense of such action on behalf of the Indemnified Party or Parties. Anything in this Section 5 to the contrary notwithstanding, the Corporation shall not be liable for any settlement of any such claim or action effected without its written consent, which shall not be unreasonably withheld. The Corporation shall not, without

the prior written consent of each Indemnified Party that is not released as described in this sentence, settle or compromise any action, or permit a default or consent to the entry of judgment in or otherwise seek to terminate any pending or threatened action, in respect of which indemnity may be sought hereunder (whether or not any Indemnified Party is a party thereto), unless such settlement, compromise, consent or termination includes an unconditional release of each Indemnified Party from all liability in respect of such action. The Corporation agrees promptly to notify the Holders of the commencement of any litigation or proceedings against the Corporation or any of its officers or directors in connection with the sale of any Registrable Shares or any preliminary prospectus, prospectus, registration statement or amendment or supplement thereto, or any application relating to any sale of any Registrable Shares.

6.2. HOLDER INDEMNIFICATION OF THE CORPORATION. Each Holder participating in any such registration shall indemnify and hold harmless the Corporation, each director of the Corporation, each officer of the Corporation who shall have signed the registration statement covering Registrable Shares held by the Holder, each other person, if any, who controls the Corporation within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, and its or their respective counsel, to the same extent as the foregoing indemnity from the Corporation to the Holders in Section 6.1, but only with respect to statements or omissions, if any, made in any registration statement, preliminary prospectus or final prospectus (as from time to time amended and supplemented), or any amendment or supplement thereto, in reliance upon and in conformity with written information furnished to the Corporation with respect to such Holder by or on behalf of such Holder expressly for inclusion in any such registration statement, preliminary prospectus or final prospectus, or any amendment or supplement thereto, as the case may be. If any action shall be brought against the Corporation or any other person so indemnified based on any such registration statement, preliminary prospectus or final prospectus, or any amendment or supplement thereto, or in any application, and in respect of which indemnity may be sought against such Holder pursuant to this Section 6.2, such Holder shall have the rights and duties given to the Corporation and the Corporation and each other person so indemnified shall have the rights and duties given to the indemnified parties, by the provisions of Section 6.1.

6.3. CONTRIBUTION. To provide for just and equitable contribution, if (i) an Indemnified Party makes a claim for indemnification pursuant to Section 6.1 or 6.2 but it is found in a final judicial determination, not subject to further appeal, that such indemnification may not be enforced in such case, even though this Agreement expressly provides for indemnification in such case, or (ii) any indemnified or indemnifying party seeks contribution under the Act, the Exchange Act or otherwise, then the Corporation (including for this purpose any contribution made by or on behalf of any director of the Corporation, any officer of the Corporation who signed any such registration statement, any controlling person of the Corporation, and its or their respective counsel), as one entity, and the Holders of the Registrable Shares included in such registration in the aggregate (including for this purpose any contribution by or on behalf of an Indemnified Party), as a second entity, shall contribute to the losses, liabilities, claims, damages and expenses whatsoever to which any of them may be

subject, on the basis of relevant equitable considerations such as the relative fault of the Corporation and such Holders in connection with the facts which resulted in such losses, liabilities, claims, damages and expenses. The relative fault, in the case of an untrue statement, alleged untrue statement, omission or alleged omission, shall be determined by, among other things, whether such statement, alleged statement, omission or alleged omission relates to information supplied by the Corporation or by such Holders, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement, alleged statement, omission or alleged omission. The Corporation and the Holder agree that it would be unjust and inequitable if the respective obligations of the Corporation and the Holders for the contribution were determined by pro rata or per capita allocation of the aggregate losses, liabilities, claims, damages and expenses (even if the Holder and the other indemnified parties were treated as one entity for such purpose) or by any other method of allocation that does not reflect the equitable considerations, referred to in this Section 6.3. In no case shall any Holder be responsible for a portion of the contribution obligation imposed on all Holders in excess of its PRO RATA share based on the number of Registrable Shares of by it and included in such registration as compared to the number of Registrable Shares owned by all Holders and included in such registration. No person guilty of a fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation. For purposes of this Section 6.3, each person, if any, who controls any Holder within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act and each officer, director, partner, employee, agent and counsel of each such Holder or control person shall have the same rights to contribution as such Holder or control person and each person, if any, who controls the Corporation within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, each officer of the Corporation who shall have signed any such registration statement, each director of the Corporation and its or their respective counsel shall have the same right to contribution as the Corporation, subject in each case to the provisions of this Section 6.3. Anything in this Section 6.3 to the contrary notwithstanding, no party shall be liable for contribution with respect to the settlement of any claim or action effected without its written consent. This Section 6.3 is intended to supersede any right to contribution under the Act, the Exchange Act or otherwise.

7. MISCELLANEOUS.

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

If to the Corporation,

MAXIMUS, Inc.
1356 Beverly Road
McLean, Virginia 22201
Attention: David V. Mastran

If to the Executive,

Susan D. Pepin
MAXIMUS, Inc.
36 Washington Street, #320
Wellesley, MA 02181-1904

Any notice, request, demand or other communication delivered or sent in the foregoing manner shall be deemed given or made (as the case may be) upon the earliest of (i) the date it is actually received, (ii) the business-day after the day on which it is delivered by hand, (iii) the business day after the day on which it is properly delivered to Federal Express (or a comparable overnight delivery service), or (iv) the third business day after the date on which it is deposited in the United States mail. Either party may change its address by notifying the other party of the new address in any manner permitted by this

paragraph. Rejection or other refusal to accept or the inability to deliver because of a changed address of which no notice was given shall not affect the date of such notice, election or demand sent in accordance with the foregoing provisions.

7.2. REMEDIES. The parties hereto further agree and acknowledge that any violation by the Executive of the terms hereof may result in irreparable injury and damage to the Executive, Corporation or its clients, as the case may be, which will not adequately be compensable in monetary damages, that the Corporation will have no adequate remedy at law therefor, and that the Corporation may obtain such preliminary, temporary or permanent mandatory or restraining injunctions, orders or decrees as may be necessary to protect it against, or on account of, any breach of the provisions contained in this Agreement.

7.3. NO OBLIGATION OF CONTINUED EMPLOYMENT AFTER TERMINATION OF SECTION 1. Except as set forth in Section 1 hereof, the Executive understands that this Agreement does not constitute a contract of employment or create an obligation on the part of the Corporation to continue the Executive's employment with the Corporation.

7.4. BENEFIT; ASSIGNMENT. This Agreement shall bind and inure to the benefit of the parties and their respective personal representatives, heirs, successors and assigns, provided this Agreement may not be assigned by either party without the consent of the other except that the Corporation may assign this Agreement in connection with the merger, consolidation or sale of all or substantially all of its business or assets. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and other legal representatives and, to the extent that any assignment hereof is permitted hereunder, their assignees.

7.5. ENTIRE AGREEMENT. This Agreement supersedes all prior agreements, written or oral, with respect to the subject matter of this Agreement, including the Shareholder Agreement dated January 2, 1996.

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

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

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

7.9. GOVERNING LAW. This Agreement shall be construed as a sealed instrument and shall in all events and for all purposes be governed by, and construed in accordance with, the laws of the Commonwealth of Virginia without regard to any choice of law principle that would dictate the application of the laws of another jurisdiction. Any action, suit or other legal proceeding which the Executive may commence to resolve any matter arising under or relating to any provision of this Agreement shall be commenced only in a court of the Commonwealth of Virginia (or, if appropriate, a federal court located within Virginia), and the Executive hereby consent to the jurisdiction of such court with respect to any action, suit or proceeding

commenced in such court by the Corporation. The Section headings are included solely for convenience and shall in no event affect or be used in connection with, the interpretation of this Agreement.

THE EXECUTIVE HAS READ ALL OF THE PROVISIONS OF THIS AGREEMENT AND THE

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

7.10. AMENDMENTS. No alterations or additions to this Agreement shall be binding unless in writing and signed by both the parties.

7.11. GENDERS. Whenever reasonably necessary, pronouns of any gender shall be deemed synonymous, as shall singular and plural pronouns.

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

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

Susan D. Pepin

MAXIMUS, INC.

By:

Name:
Title:

EXHIBIT A

FORM OF AGREEMENT TO BE BOUND

[DATE]

MAXIMUS, INC.
1356 Beverly Road
McLean, VA 22101

Ladies and Gentlemen:

Reference is made to the Executive Non-Compete, Confidentiality and Stock Restriction Agreement (the "Agreement") dated as of _____________ __, 1997 between MAXIMUS, Inc. (the "Company") and Susan D. Pepin (the "Transferor").

The undersigned is the transferee of _________ shares of _____________ Common Stock of the Corporation from the Transferor (the "Shares").

In consideration of the representations, covenants and agreements contained in the Agreement, the undersigned hereby confirms and agrees to be bound by all of the provisions of Section 3 of the Agreement applicable to the Transferor with respect to the Shares.

This letter shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia without regard to the conflicts of law rules of such state.

Very truly yours,

EXHIBIT 10.8

EXECUTIVE EMPLOYMENT, NON-COMPETE, CONFIDENTIALITY AND STOCK RESTRICTION AGREEMENT

[Baylinson]

EMPLOYMENT AGREEMENT entered into this ___ day of ___________, 1997 by and between Ilene R. Baylinson (the "Executive") and MAXIMUS, Inc., a Virginia corporation with a usual place of business in McLean, Virginia (the "Corporation").

WHEREAS, Executive is a key employee of the Corporation and a holder of a substantial number of shares of the issued and outstanding capital stock of the Corporation, and

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

1. Employment.

1.1. DUTIES. The Corporation hereby employs the Executive, and the Executive hereby accepts such employment, to serve as the President of Health and Disability Services Division of the Corporation. The Executive shall provide day to day management of the Corporation's Health and Disability Services Division and shall perform such other services and duties as are appropriate to such office. During the term of this Agreement, the Executive shall be a full time employee of the Corporation and shall devote such time and attention to the discharge of her duties as the President of Health and Disability Services Division as may be necessary and appropriate to accomplish and complete such duties.

1.2. Compensation.

(a) SALARY AND REGULAR YEAR-END BONUS. As compensation for performance of her obligations hereunder, the Corporation shall pay the Executive a salary of not less than $182,000 and regular year-end bonus consistent with the Corporation's past practices.

(b) VACATION, INSURANCE, EXPENSES. The Executive shall be entitled to such vacation benefits, health, disability and life insurance benefits and expense reimbursements in a manner consistent with the Corporation's past practices.

1.3. TERM; TERMINATION. The term of the employment agreement set forth in this Section 1 shall be for a period commencing on the date hereof and continuing until September 30, 2001, provided that this Agreement shall terminate:

(a) by mutual written consent of the parties; or

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

(c) by the Corporation for cause, which shall mean in the event of Executive's breach of any material duty or obligation hereunder, or intentional or grossly negligent conduct that is materially injurious to the Corporation, as reasonably determined by the Corporation's Board of Directors, or willful failure to follow the reasonable directions of the Corporation's Board of Directors.

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

2. NON-COMPETITION.

2.1. UNDERTAKING. The Executive agrees that while the Executive is employed by the Corporation and thereafter, until _____________ [4 years after

the date hereof] (the "Expiration Date"), the Executive shall not, without the Corporation's prior written consent, directly or indirectly, as a principal, employee, consultant, partner, or stockholder of, or in any other capacity with, any business enterprise (other than in the Executive's capacity as a holder of not more than 1% of the combined voting power of the outstanding stock of a publicly held company) (a) engage in direct or indirect competition with the Corporation, (b) conduct a business of the type or character engaged in by the Corporation at the time of termination or cessation of the Executive's employment or (c) develop products or services competitive with those of the Corporation.

2.2. PROHIBITED ACTIVITIES. (a) The Executive agrees that, during his employment with the Corporation, and thereafter for a period of two years after the termination of such employment, the Executive will not engage in any unethical behavior which may adversely affect the Corporation. For the purpose of this Section 2.2, "Unethical Behavior" is defined as:

(1) any attempt, successful or unsuccessful, by the Executive to divert any existing contracts or subcontracts from the Corporation to any other firm, whether or not affiliated with the Executive;

(2) any attempt, successful or unsuccessful by the Executive, to adversely influence clients of the Corporation or organizations with which the Corporation has a contract or a proposal pending as of the date of the Executive's termination from the Corporation;

(3) any attempt, successful or unsuccessful, by the Executive to divert any contracts or subcontracts which are pending as of the date of Executive's termination from the Corporation to any other firm, whether or not affiliated with the Executive;

(4) any attempt, successful or unsuccessful, by the Executive to offer his services, or to influence any other employee of the Corporation to offer their services, to any firm to compete against the Corporation in the performance of services provided under existing contracts or follow-ons to existing contracts or pending proposals with the Corporation's clients as of the date of the Executive's termination; or

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

(b) The Executive agrees that, in addition to any other remedy available to the Corporation, in the event of a breach by the Executive of the terms of this Section 2.2 the Corporation may set off against any amounts due the Executive, an amount equal to the gross revenues which such Executive, or any entity with which the Executive is employed, affiliated or associated, receives or is entitled to receive, from any existing clients (or potential clients with whom a proposal is pending) of the Corporation during the two-year period provided in this Section 2.2.

(c) The provisions of this Section 2.2 shall continue for a period of two years after termination of the Executive's employment with the Corporation, whether voluntary or involuntary, with or without cause. The Executive shall notify any new employer, partner, association or any other firm or corporation actually or potentially in competition with the Corporation with whom the Executive shall become associated in any capacity whatsoever of the provisions of this Section 2.2 and the Executive agrees that the Corporation may give such notice to such firm, corporation or other person.

2.3. <u>Business Opportunities: Conflicts of Interest: Other Employment and Activities of the Executive.</u>

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

(b) The Executive, in his capacity as an employee of the Corporation, shall not engage in any business with any member of the Executive's immediate family or with any person or business entity in which the Executive or any member of the Executive's immediate family has any ownership interest or financial interest, unless and until the Executive has first fully disclosed such interest to the Board of Directors and received written consent from the Board of Directors, signed by the Chairman of such board. As used herein, the term "immediate family" means the Executive's spouse, natural or adopted children, parents or siblings and the term "financial interest" means any

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

(c) The parties hereto acknowledge and agree that the Executive may engage in outside civic, political, social, educational and professional activities and may serve on the boards of directors of other corporations; provided, however, that such activities shall not have priority over or adversely affect or conflict with the business of the Corporation or its clients, or interfere with the mobility of the Executive to fulfill the Executive's duties to the Corporation as a full-time employee and officer and director of the Corporation, as conclusively determined by the Board of Directors of the Corporation.

(d) The parties hereto agree that the Executive may, consistent with this Section 1.3, receive and retain speaking fees, referral fees from business opportunities not accepted by the Corporation, and fees from outside business activities and opportunities of the Executive consented to by the Board of Directors of the Corporation.

3. CONFIDENTIALITY.

3.1. NON-DISCLOSURE. The parties hereto agree that the Corporation's books, records, files and all other information relating to the Corporation (that is not otherwise available in the Public Domain), its business and its clients are proprietary in nature and contain trade secrets and shall be held in strict confidence by the parties hereto, and shall not, either during the term of this Agreement or after the termination hereof, be intentionally disclosed, directly or indirectly, to any third party, person, firm, corporation or other entity, irrespective of whether such person or entity is a competitor of the Corporation or is engaged in a business similar to that of the Corporation; except in furtherance of the Corporation's business. The trade secrets or other proprietary or confidential information referred to in the prior sentence includes, without limitation, all proposals to clients or potential clients, contracts, client or potential client lists, fee policies, financial information. administration or marketing practices or procedures and all other information regarding the business of the Corporation and its clients not generally known to the public.

3.2. TRADE SECRETS. The parties hereto hereby acknowledge and agree that all proprietary information referred to in this Section 2 shall be deemed trade secrets of the Corporation and that each party hereto shall take such steps, undertake such actions and refrain from taking such other actions, as mandated by the provisions hereof and by the provisions of the laws of the Commonwealth of Virginia.

4. STOCK RESTRICTIONS.

4.1. TRANSFERS. The Executive may not offer, sell, assign, grant a participation in, pledge or otherwise transfer ("Transfer") any of the Executive's shares of Common Stock of the Corporation (including shares acquired after the date hereof) (the "Shares") except in compliance with the Securities Act of 1933, as amended (the "Act"), and any applicable state securities laws. In addition, until the Expiration Date, the Executive may not Transfer any of the Executive's Shares without the prior written consent of the Corporation after complying with Section 4.3 below, other than (i) subject to Section 4.4 below, to any Permitted Transferee (as defined in Section 4.4) or (ii) as may be required by applicable federal or state law or regulation or (iii) pursuant to a registration of such shares under Section 5 below.

4.2. RESTRICTIVE LEGEND. Until the Expiration Date, each certificate representing Shares owned by the Executive shall include a legend in substantially the following form:

UNTIL ________ __, 2001, THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER AS SET FORTH IN AN EXECUTIVE

NON-COMPETE, CONFIDENTIALITY AND STOCK RESTRICTION AGREEMENT, DATED AS OF ________ __, 1997, A COPY OF WHICH MAY BE OBTAINED FROM MAXIMUS, INC.

4.3. REQUEST FOR CONSENT TO TRANSFER. The Executive may request consent to transfer from the Corporation by providing written notice to the Corporation of such holder's intention to effect such transfer, setting forth the manner and circumstances of the proposed transfer in reasonable detail. In the discretion of the Corporation, such consent may be conditioned upon the delivery to the Corporation of an instrument substantially in the form of EXHIBIT A hereto pursuant to which the transferee shall have agreed to be bound by the terms of this Section 4. In such case, each certificate evidencing Shares or interests therein transferred as provided in this Section 4.3 shall bear the legend set forth in Section 4.2 hereof.

4.4. TRANSFERS TO PERMITTED TRANSFEREE. "Permitted Transferee" shall mean (i) the spouse, ancestor, lineal descendants and other family members of the Executive, and any trust for the benefit of the foregoing, (including adopted descendants), (ii) any entities established principally for charitable purposes to which the Executive Transfers any Shares by way of gift and (iii) any person or entity to whom the Shares are Transferred by virtue of a pledge by the Executive to secure a borrowing from such Permitted Transferee. The Executive may transfer some or all of the Shares to a Permitted Transferee only if the Corporation shall have received notice of such transfer and an instrument substantially in the form of EXHIBIT A hereto pursuant to which the Permitted Transferee shall have agreed to be bound by the terms of this Section 4. Each certificate evidencing Shares or interests therein transferred as provided in this Section 4.4 shall bear the legend set forth in Section 4.2 hereof.

4.5. IMPROPER TRANSFER. (a) Any attempt to Transfer any Shares not in compliance with this Agreement shall be null and void and neither the Corporation nor any transfer agent of the Corporation shall register, or otherwise recognize in the Corporation's records, any such improper Transfer.

(b) The Executive shall not enter into any transaction or series of transactions for the purpose or with the effect of, directly or indirectly, denying or impairing the rights or obligations of the Corporation under this Agreement, and any such transaction shall be null and void and, to the extent that such transaction requires any action by the Corporation, it shall not be registered or otherwise recognized in the Corporation's records or otherwise.

4.6. ACCESS TO RECORDS AND DOCUMENTS. At any time during which the Executive is a stockholder and/or a member of the Board of Directors of the Corporation, the

Executive shall be entitled to inspect and copy such records and documents to the extent provided by the Stock Corporation Act of the Commonwealth of Virginia and any other applicable law.

5. Registration Rights.

5.1. Secondary Registration.

(a) REGISTRATION FOR RESALE. The Corporation intends to seek to create liquidity for the Shares held by the Executive prior to the Expiration Date. In the sole discretion of the Corporation, the Corporation may file with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-8 or Form S-3 (or similar form) sufficient to permit the public offering and sale of the Registrable Shares (as defined below) through all securities exchanges and over-the-counter markets on which the Corporation's Common Stock is then traded. For the purposes of this Agreement, "Registrable Shares" shall mean outstanding Shares and Shares issuable upon exercise of then-exercisable options held by the Executive and any other person holding registration rights substantially the same as the rights set forth in this Section 5, which Shares are not at that time the subject of an effective registration statement filed with the Commission. For the purposes of this Agreement, "Holders" shall mean all persons holding Registrable Shares including Permitted Transferees.

(b) NOTICE OF FILING OF REGISTRATION STATEMENT. In the event the Corporation determines to file a registration pursuant to Section 5.1(a), the Corporation shall notify each Holder of the proposed filing and request that each Holder notify the Corporation within 15 days thereafter of the number of Registrable Shares such Holder wishes the Corporation to register on such Holder's behalf. Each Holder shall, prior to the end of such 15 day period, request in writing that the Corporation register the sale of all or part of such Holder's Registrable Shares.

5.2. Piggyback Registration Rights.

(a) OFFER TO INCLUDE REGISTRABLE SHARES IN CORPORATION OFFERING. If, at any time prior to the Expiration Date, the Corporation shall file a registration statement to register shares of Common Stock for its own account in an underwritten offering with the Commission while any Registrable Shares are outstanding, the Corporation shall give all the Holders at least 45 days prior written notice of the filing of such registration statement. Subject to 5.2(b) below, if requested by any Holder in writing within 30 days after receipt of any such notice, the Corporation shall register or qualify all or, at each Holder's option, any portion of the Registrable Shares of any Holders who shall have made such request, concurrently with the registration of such other securities, all to the extent requisite to permit the public offering and sale of the Registrable Shares through the facilities of all appropriate securities exchanges and the over-the-counter market, and will use its best efforts through its officers, directors, auditors, and counsel to cause such registration statement to become effective as promptly as practicable.

(b) CUTBACK OF PARTICIPATION IN CORPORATION OFFERING. Notwithstanding Section 5.2(a), if the managing underwriter of any such offering shall advise the Corporation in writing that, in its opinion, the distribution of all or a portion of the Registrable Shares requested to be included in the registration concurrently with the securities being registered by the Corporation would materially adversely affect the distribution of such securities by the Corporation for its own account, then the number of Registrable Shares held by such Holder to be included in such registration statement shall be reduced to the extent advised by such managing underwriter, provided that any such reduction shall be made pro rata among the Holders electing to participate in such registration based on the aggregate number of Registrable Shares held by each Holder electing to so participate, and provided further that the total number of Registrable Shares included in any such registration shall not be less than 25% of the total number of shares of Common Stock included in the registration for the Corporation's account, the Holders account and the account of any other person.

5.3. Underwriting.

(a) UNDERWRITING IN SECONDARY REGISTRATION. If the Corporation undertakes a registration under Section 5.1, any Holder wishing to distribute the Registrable Shares which such Holder has requested to be registered in such registration by means of an underwriting, such Holder shall so advise the Corporation in such Holder's request to participate in such registration under Section 5.1(b). The Holders of a majority of the Registrable Shares being offered may select one or more underwriters for the registration under Section 5.1, which selection shall be approved by the Corporation, which approval shall not be unreasonably withheld provided such underwriter(s) are experienced and reputable. The Corporation shall, together with the Holders engaged in the registration hereunder, enter into an underwriting agreement with the representative of the underwriter or underwriters selected for such underwriting in accordance with this Section 5.3(a).

(b) UNDERWRITING IN PIGGYBACK REGISTRATION. In the event of an underwritten registration pursuant to the provisions of Section 5.2, any Holder who requests to have Registrable Shares included in such registration shall enter into such custody agreements and powers of attorney as are reasonably requested by the Corporation and any such underwriter, and, if requested, enter into an underwriting agreement containing customary terms.

(c) RIGHT OF WITHDRAWAL FROM UNDERWRITING. In the event of an underwritten offering under Section 5.3(a) or (b), the right of a Holder to participate in a registration hereunder shall be conditioned upon the inclusion of such Holder's Registrable Shares in such underwriting. If a Holder disapproves of the terms of the underwriting, such Holder may elect to withdraw therefrom by written notice to the Corporation and the underwriter delivered at least seven days prior to the effective date of the Registration Statement. The securities so withdrawn shall also be withdrawn from the Registration Statement.

5.4. EFFECTIVENESS AND EXPENSES. The Corporation will use its best efforts through its officers, directors, auditors and counsel to cause any Registration Statement filed pursuant to this Section 5 to become effective as promptly as practicable. The Corporation shall be obligated to use its best efforts to maintain the effectiveness of such Registration Statement only until the earlier of (i) the Expiration Date, and (ii) the date on which no Registrable Shares remain outstanding (the "Registration Termination Date"). The Corporation shall be obligated to pay all expenses (other than the fees and disbursements of counsel for the Holders and underwriting discounts, if any, payable in respect of the Registrable Shares sold by the Holders) in connection with any such registration statement.

5.5. BLUE SKY REGISTRATIONS. In the event of a registration pursuant to the provisions of this Section 5, the Corporation shall use its best efforts to cause the Registrable Shares so registered to be registered or qualified for sale under the securities or blue sky laws of such jurisdictions as the Holders may reasonably request; PROVIDED, HOWEVER, that the Corporation shall not be required to qualify to do business in any state by reason of this Section 5.5 in which it is not otherwise required to qualify to do business.

5.6. CONTINUING EFFECTIVENESS. Until the Registration Termination Date, the Corporation shall use its best efforts to keep effective any registration or qualification contemplated by this Section 5 and shall from time to time amend or supplement each applicable registration statement, preliminary prospectus, final prospectus, application, document and communication for such period of time as shall be required to permit the Holders to complete the offer and sale of the Registrable Shares covered thereby.

5.7. COPIES OF REGISTRATION STATEMENT AND RELATED DOCUMENTS. In the event of a registration pursuant to the provisions of this Section 5, the Corporation shall furnish to each Holder a copy of the Registration Statement and of each amendment and supplement thereto (in each case, including all exhibits), and a reasonable number of copies of each prospectus contained in such registration statement and each supplement or amendment thereto (including each preliminary prospectus), all of which shall conform to the requirements of the Act, and the rules and regulations thereunder, and such other documents, as any Holder may reasonably request to facilitate the disposition of the Registrable Shares included in such registration.

5.8. RULE 144 ELIGIBILITY. The Corporation agrees that, following the Expiration Date, until all the Registrable Shares have been sold under a registration statement or pursuant to Rule 144 under the Act, the Corporation shall use its best efforts to keep current in filing all reports, statements and other materials required to be filed with the Commission to permit holders of the Registrable Shares to sell such securities under Rule 144.

6. Indemnity.

6.1. CORPORATION INDEMNIFICATION OF THE HOLDERS. Subject to the conditions set forth below, the Corporation agrees to indemnify and hold harmless each Holder, its officers, directors, partners, employees, agents and counsel, if any, and each person, if any, who controls any such person within the meaning of Section 15 of the Act or Section 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), if any, from and against any and all loss, liability, charge, claim, damage and expense whatsoever (which shall include, for all purposes of this Section 6, without limitation, attorneys' fees and any and all expenses whatsoever incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, and any and all amounts paid in settlement of any claim or litigation), as and when incurred, arising out of, based upon, or in connection with any untrue statement or alleged untrue statement of a material fact contained in any registration statement, preliminary prospectus or final prospectus (as from time to time amended and supplemented), or any amendment or supplement thereto, relating to the sale of any of the Registrable Shares, filed with the Commission or any securities exchange; or any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, unless such statement or omission was made in reliance upon and in conformity with written information furnished to the Corporation with respect to such Holder by or on behalf of such person expressly for inclusion in any registration statement, preliminary prospectus, or final prospectus, or any amendment or supplement thereto, as the case may be. The foregoing agreement to indemnify shall be in addition to any liability the Corporation may otherwise have, including liabilities arising under this Agreement.

If any action is brought against any Holder or any of its officers, directors, partners, employees, agents or counsel, or any controlling persons of

such person (an "Indemnified Party") in respect of which indemnity may be sought against the Corporation pursuant to the foregoing paragraph, such Indemnified Party or Parties shall promptly notify the Corporation in writing of the institution of such action (but the failure so to notify shall not relieve the Corporation from any liability other than pursuant to this Section 6.1) and the Corporation shall promptly assume the defense of such action, including the employment of counsel (reasonably satisfactory to such Indemnified Party or parties) and payment of expenses. Such Indemnified Party or parties shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or parties unless the employment of such counsel shall have been authorized in writing by the Corporation in connection with the defense of such action or the Corporation shall not have promptly employed counsel reasonably satisfactory to such Indemnified Party or Parties to have charge of the defense of such action or such Indemnified Party or parties shall have reasonably concluded that there may be one or more legal defenses available to it or them or to other indemnified parties which are different from or additional to those available to the Corporation, in any of which events such fees and expenses shall be borne by the Corporation, and the Corporation shall not have the right to direct the defense of such action on behalf of the Indemnified Party or Parties. Anything in this Section 5 to the contrary notwithstanding, the Corporation shall not be liable for any settlement of any such claim or action effected without its written consent, which shall not be unreasonably withheld. The Corporation shall not, without

the prior written consent of each Indemnified Party that is not released as described in this sentence, settle or compromise any action, or permit a default or consent to the entry of judgment in or otherwise seek to terminate any pending or threatened action, in respect of which indemnity may be sought hereunder (whether or not any Indemnified Party is a party thereto), unless such settlement, compromise, consent or termination includes an unconditional release of each Indemnified Party from all liability in respect of such action. The Corporation agrees promptly to notify the Holders of the commencement of any litigation or proceedings against the Corporation or any of its officers or directors in connection with the sale of any Registrable Shares or any preliminary prospectus, prospectus, registration statement or amendment or supplement thereto, or any application relating to any sale of any Registrable Shares.

6.2. HOLDER INDEMNIFICATION OF THE CORPORATION. Each Holder participating in any such registration shall indemnify and hold harmless the Corporation, each director of the Corporation, each officer of the Corporation who shall have signed the registration statement covering Registrable Shares held by the Holder, each other person, if any, who controls the Corporation within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, and its or their respective counsel, to the same extent as the foregoing indemnity from the Corporation to the Holders in Section 6.1, but only with respect to statements or omissions, if any, made in any registration statement, preliminary prospectus or final prospectus (as from time to time amended and supplemented), or any amendment or supplement thereto, in reliance upon and in conformity with written information furnished to the Corporation with respect to such Holder by or on behalf of such Holder expressly for inclusion in any such registration statement, preliminary prospectus or final prospectus, or any amendment or supplement thereto, as the case may be. If any action shall be brought against the Corporation or any other person so indemnified based on any such registration statement, preliminary prospectus or final prospectus, or any amendment or supplement thereto, or in any application, and in respect of which indemnity may be sought against such Holder pursuant to this Section 6.2, such Holder shall have the rights and duties given to the Corporation and the Corporation and each other person so indemnified shall have the rights and duties given to the indemnified parties, by the provisions of Section 6.1.

6.3. CONTRIBUTION. To provide for just and equitable contribution, if (i) an Indemnified Party makes a claim for indemnification pursuant to Section 6.1 or 6.2 but it is found in a final judicial determination, not subject to further appeal, that such indemnification may not be enforced in such case, even though this Agreement expressly provides for indemnification in such case, or (ii) any indemnified or indemnifying party seeks contribution under the Act, the Exchange Act or otherwise, then the Corporation (including for this purpose any contribution made by or on behalf of any director of the Corporation, any officer of the Corporation who signed any such registration statement, any controlling person of the Corporation, and its or their respective counsel), as one entity, and the Holders of the Registrable Shares included in such registration in the aggregate (including for this purpose any contribution by or on behalf of an Indemnified Party), as a second entity, shall contribute to the losses, liabilities, claims, damages and expenses whatsoever to which any of them may be

subject, on the basis of relevant equitable considerations such as the relative fault of the Corporation and such Holders in connection with the facts which resulted in such losses, liabilities, claims, damages and expenses. The relative fault, in the case of an untrue statement, alleged untrue statement, omission or alleged omission, shall be determined by, among other things, whether such statement, alleged statement, omission or alleged omission relates to information supplied by the Corporation or by such Holders, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement, alleged statement, omission or alleged omission. The Corporation and the Holder agree that it would be unjust and inequitable if the respective obligations of the Corporation and the Holders for the contribution were determined by pro rata or per capita allocation of the aggregate losses, liabilities, claims, damages and expenses (even if the Holder and the other indemnified parties were treated as one entity for such purpose) or by any other method of allocation that does not reflect the equitable considerations, referred to in this Section 6.3. In no case shall any Holder be responsible for a portion of the contribution obligation imposed on all Holders in excess of its pro rata share based on the number of Registrable Shares of by it and included in such registration as compared to the number of Registrable Shares owned by all Holders and included in such registration. No person guilty of a fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation. For purposes of this Section 6.3, each person, if any, who controls any Holder within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act and each officer, director, partner, employee, agent and counsel of each such Holder or control person shall have the same rights to contribution as such Holder or control person and each person, if any, who controls the Corporation within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, each officer of the Corporation who shall have signed any such registration statement, each director of the Corporation and its or their respective counsel shall have the same right to contribution as the Corporation, subject in each case to the provisions of this Section 6.3. Anything in this Section 6.3 to the contrary notwithstanding, no party shall be liable for contribution with respect to the settlement of any claim or action effected without its written consent. This Section 6.3 is intended to supersede any right to contribution under the Act, the Exchange Act or otherwise.

7. MISCELLANEOUS.

7.1. NOTICES. All notices, requests, demands or other communications provid ed for in this Agreement shall be in writing and shall be delivered by hand, sent prepaid by Federal Express (or a comparable overnight delivery service) or sent by the United States mail, certified, postage prepaid, return receipt request, to the following

If to the Corporation,

MAXIMUS, Inc.
1356 Beverly Road
McLean, Virginia 22201
Attention: David V. Mastran

If to the Executive,

Ilene R. Baylinson
MAXIMUS, Inc.
8150 Lessburg Pike, #1250
Vienna, VA 22182

Any notice, request, demand or other communication delivered or sent in the foregoing manner shall be deemed given or made (as the case may be) upon the earliest of (i) the date it is actually received, (ii) the business-day after the day on which it is delivered by hand, (iii) the business day after the day on which it is properly delivered to Federal Express (or a comparable overnight delivery service), or (iv) the third business day after the date on which it is

deposited in the United States mail. Either party may change its address by notifying the other party of the new address in any manner permitted by this paragraph. Rejection or other refusal to accept or the inability to deliver because of a changed address of which no notice was given shall not affect the date of such notice, election or demand sent in accordance with the foregoing provisions.

7.2. REMEDIES. The parties hereto further agree and acknowledge that any violation by the Executive of the terms hereof may result in irreparable injury and damage to the Executive, Corporation or its clients, as the case may be, which will not adequately be compensable in monetary damages, that the Corporation will have no adequate remedy at law therefor, and that the Corporation may obtain such preliminary, temporary or permanent mandatory or restraining injunctions, orders or decrees as may be necessary to protect it against, or on account of, any breach of the provisions contained in this Agreement.

7.3. NO OBLIGATION OF CONTINUED EMPLOYMENT AFTER TERMINATION OF SECTION 1. Except as set forth in Section 1 hereof, the Executive understands that this Agreement does not constitute a contract of employment or create an obligation on the part of the Corporation to continue the Executive's employment with the Corporation.

7.4. BENEFIT; ASSIGNMENT. This Agreement shall bind and inure to the benefit of the parties and their respective personal representatives, heirs, successors and assigns, provided this Agreement may not be assigned by either party without the consent of the other except that the Corporation may assign this Agreement in connection with the merger, consolidation or sale of all or substantially all of its business or assets. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and other legal representatives and, to the extent that any assignment hereof is permitted hereunder, their assignees.

7.5. ENTIRE AGREEMENT. This Agreement supersedes all prior areements, written or oral, with respect to the subject matter of this Agreement, including the Shareholder Agreement dated January 2, 1996.

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

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

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

7.9. GOVERNING LAW. This Agreement shall be construed as a sealed instrument and shall in all events and for all purposes be governed by, and construed in accordance with, the laws of the Commonwealth of Virginia without regard to any choice of law principle that would dictate the application of the laws of another jurisdiction. Any action, suit or other legal proceeding which the Executive may commence to resolve any matter arising under or relating to any provision of this Agreement shall be commenced only in a court of the Commonwealth of Virginia (or, if appropriate, a federal court located within Virginia), and the Executive hereby consent to the jurisdiction of such court with respect to any action, suit or proceeding

commenced in such court by the Corporation. The Section headings are included solely for convenience and shall in no event affect or be used in connection

with, the interpretation of this Agreement.

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

7.10. AMENDMENTS. No alterations or additions to this Agreement shall be binding unless in writing and signed by both the parties.

7.11. GENDERS. Whenever reasonably necessary, pronouns of any gender shall be deemed synonymous, as shall singular and plural pronouns.

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

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

Ilene R. Baylinson

MAXIMUS, INC.

By:

Name:
Title:

EXHIBIT A

FORM OF AGREEMENT TO BE BOUND

[DATE]

MAXIMUS, INC.
1356 Beverly Road
McLean, VA 22101

Ladies and Gentlemen:

Reference is made to the Executive Non-Compete, Confidentiality and Stock Restriction Agreement (the "Agreement") dated as of _____________ __, 1997 between MAXIMUS, Inc. (the "Company") and Ilene R. Baylinson (the "Transferor").

The undersigned is the transferee of _________ shares of _____________ Common Stock of the Corporation from the Transferor (the "Shares").

In consideration of the representations, covenants and agreements contained in the Agreement, the undersigned hereby confirms and agrees to be bound by all of the provisions of Section 3 of the Agreement applicable to the Transferor with respect to the Shares.

This letter shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia without regard to the conflicts of law rules of such state.

Very truly yours,

EXHIBIT 10.9

EXECUTIVE EMPLOYMENT, NON-COMPETE, CONFIDENTIALITY AND STOCK RESTRICTION AGREEMENT

[Davenport]

EMPLOYMENT AGREEMENT entered into this ___ day of ___________, 1997 by and between Lynn P. Davenport (the "Executive") and MAXIMUS, Inc., a Virginia corporation with a usual place of business in McLean, Virginia (the "Corporation").

WHEREAS, Executive is a key employee of the Corporation and a holder of a substantial number of shares of the issued and outstanding capital stock of the Corporation, and

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

1. Employment.

1.1. DUTIES. The Corporation hereby employs the Executive, and the Executive hereby accepts such employment, to serve as the President of Human Services Division of the Corporation. The Executive shall provide day to day management of the Corporation's Human Services Division and shall perform such other services and duties as are appropriate to such office. During the term of this Agreement, the Executive shall be a full time employee of the Corporation and shall devote such time and attention to the discharge of his duties as the President of Human Services Division as may be necessary and appropriate to accomplish and complete such duties.

1.2. Compensation.

(a) SALARY AND REGULAR YEAR-END BONUS. As compensation for performance of his obligations hereunder, the Corporation shall pay the Executive a salary of not less than $182,000 and regular year-end bonus consistent with the Corporation's past practices.

(b) VACATION, INSURANCE, EXPENSES. The Executive shall be entitled to such vacation benefits, health, disability and life insurance benefits and expense reimbursements in a manner consistent with the Corporation's past practices.

1.3. TERM; TERMINATION. The term of the employment agreement set forth in this Section 1 shall be for a period commencing on the date hereof and continuing until September 30, 2001, provided that this Agreement shall terminate:

(a) by mutual written consent of the parties; or

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

(c) by the Corporation for cause, which shall mean in the event of Executive's breach of any material duty or obligation hereunder, or intentional or grossly negligent conduct that is materially injurious to the Corporation, as reasonably determined by the Corporation's Board of Directors, or willful failure to follow the reasonable directions of the Corporation's Board of Directors.

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

2. NON-COMPETITION.

2.1. UNDERTAKING. The Executive agrees that while the Executive is employed by the Corporation and thereafter, until _____________ [4 years after the date hereof] (the "Expiration Date"), the Executive shall not, without the Corporation's prior written consent, directly or indirectly, as a principal, employee, consultant, partner, or stockholder of, or in any other capacity with, any business enterprise (other than in the Executive's capacity as a holder of

not more than 1% of the combined voting power of the outstanding stock of a publicly held company) (a) engage in direct or indirect competition with the Corporation, (b) conduct a business of the type or character engaged in by the Corporation at the time of termination or cessation of the Executive's employment or (c) develop products or services competitive with those of the Corporation.

2.2. PROHIBITED ACTIVITIES. (a) The Executive agrees that, during his employment with the Corporation, and thereafter for a period of two years after the termination of such employment, the Executive will not engage in any unethical behavior which may adversely affect the Corporation. For the purpose of this Section 2.2, "Unethical Behavior" is defined as:

(1) any attempt, successful or unsuccessful, by the Executive to divert any existing contracts or subcontracts from the Corporation to any other firm, whether or not affiliated with the Executive;

(2) any attempt, successful or unsuccessful by the Executive, to adversely influence clients of the Corporation or organizations with which the Corporation has a contract or a proposal pending as of the date of the Executive's termination from the Corporation;

(3) any attempt, successful or unsuccessful, by the Executive to divert any contracts or subcontracts which are pending as of the date of Executive's termination from the Corporation to any other firm, whether or not affiliated with the Executive;

(4) any attempt, successful or unsuccessful, by the Executive to offer his services, or to influence any other employee of the Corporation to offer their services, to any firm to compete against the Corporation in the performance of services provided under existing contracts or follow-ons to existing contracts or pending proposals with the Corporation's clients as of the date of the Executive's termination; or

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

(b) The Executive agrees that, in addition to any other remedy available to the Corporation, in the event of a breach by the Executive of the terms of this Section 2.2 the Corporation may set off against any amounts due the Executive, an amount equal to the gross revenues which such Executive, or any entity with which the Executive is employed, affiliated or associated, receives or is entitled to receive, from any existing clients (or potential clients with whom a proposal is pending) of the Corporation during the two-year period provided in this Section 2.2.

(c) The provisions of this Section 2.2 shall continue for a period of two years after termination of the Executive's employment with the Corporation, whether voluntary or involuntary, with or without cause. The Executive shall notify any new employer, partner, association or any other firm or corporation actually or potentially in competition with the Corporation with whom the Executive shall become associated in any capacity whatsoever of the provisions of this Section 2.2 and the Executive agrees that the Corporation may give such notice to such firm, corporation or other person.

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

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

(b) The Executive, in his capacity as an employee of the Corporation, shall not engage in any business with any member of the Executive's immediate family or with any person or business entity in which the Executive or any member of the Executive's immediate family has any ownership interest or financial interest, unless and until the Executive has first fully disclosed such interest to the Board of Directors and received written consent from the Board of Directors, signed by the Chairman of such board. As used herein, the term "immediate family" means the Executive's spouse, natural or adopted children, parents or siblings and the term "financial interest" means any relationship with such person or business entity that may monetarily benefit the Executive or member of the Executive's immediate family, including any lending relationship or the guarantying of any obligations of such person or business entity by the Executive or member of his immediate family.

(c) The parties hereto acknowledge and agree that the Executive may engage in outside civic, political, social, educational and professional activities and may serve on the boards of directors of other corporations; provided, however, that such activities shall not have priority over or adversely affect or conflict with the business of the Corporation or its clients, or interfere with the mobility of the Executive to fulfill the Executive's duties to the Corporation as a full-time employee and officer and director of the Corporation, as conclusively determined by the Board of Directors of the Corporation.

(d) The parties hereto agree that the Executive may, consistent with this Section 1.3, receive and retain speaking fees, referral fees from business opportunities not accepted by the Corporation, and fees from outside business activities and opportunities of the Executive consented to by the Board of Directors of the Corporation.

3. CONFIDENTIALITY.

3.1. NON-DISCLOSURE. The parties hereto agree that the Corporation's books, records, files and all other information relating to the Corporation (that is not otherwise available in the Public Domain), its business and its clients are proprietary in nature and contain trade secrets and shall be held in strict confidence by the parties hereto, and shall not, either during the term of this Agreement or after the termination hereof, be intentionally disclosed, directly or indirectly, to any third party, person, firm, corporation or other entity, irrespective of whether such person or entity is a competitor of the Corporation or is engaged in a business similar to that of the Corporation; except in furtherance of the Corporation's business. The trade secrets or other proprietary or confidential information referred to in the prior sentence includes, without limitation, all proposals to clients or potential clients, contracts, client or potential client lists, fee policies, financial information. administration or marketing practices or procedures and all other information regarding the business of the Corporation and its clients not generally known to the public.

3.2. TRADE SECRETS. The parties hereto hereby acknowledge and agree that all proprietary information referred to in this Section 2 shall be deemed trade secrets of the Corporation and that each party hereto shall take such steps, undertake such actions and refrain from taking such other actions, as mandated by the provisions hereof and by the provisions of the laws of the Commonwealth of Virginia.

4. STOCK RESTRICTIONS.

4.1. TRANSFERS. The Executive may not offer, sell, assign, grant a participation in, pledge or otherwise transfer ("Transfer") any of the Executive's shares of Common Stock of the Corporation (including shares acquired after the date hereof) (the "Shares") except in compliance with the Securities Act of 1933, as amended (the "Act"), and any applicable state securities laws. In addition, until the Expiration Date, the Executive may not Transfer any of the Executive's Shares without the prior written consent of the Corporation after complying with Section 4.3 below, other than (i) subject to Section 4.4 below, to any Permitted Transferee (as defined in Section 4.4) or (ii) as may be required by applicable federal or state law or regulation or (iii) pursuant to a registration of such shares under Section 5 below.

4.2. RESTRICTIVE LEGEND. Until the Expiration Date, each certificate representing Shares owned by the Executive shall include a legend in substantially the following form:

> UNTIL ________ __, 2001, THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER AS SET FORTH IN AN EXECUTIVE NON-COMPETE, CONFIDENTIALITY AND STOCK RESTRICTION AGREEMENT, DATED AS OF ________ __, 1997, A COPY OF WHICH MAY BE OBTAINED FROM MAXIMUS, INC.

4.3. REQUEST FOR CONSENT TO TRANSFER. The Executive may request consent to transfer from the Corporation by providing written notice to the Corporation of such holder's intention to effect such transfer, setting forth the manner and circumstances of the proposed transfer in reasonable detail. In the discretion of the Corporation, such consent may be conditioned upon the delivery to the Corporation of an instrument substantially in the form of Exhibit A hereto pursuant to which the transferee shall have agreed to be bound by the terms of this Section 4. In such case, each certificate evidencing Shares or interests therein transferred as provided in this Section 4.3 shall bear the legend set forth in Section 4.2 hereof.

4.4. TRANSFERS TO PERMITTED TRANSFEREE. "Permitted Transferee" shall mean (i) the spouse, ancestor, lineal descendants and other family members of the Executive, and any trust for the benefit of the foregoing, (including adopted descendants), (ii) any entities established principally for charitable purposes to which the Executive Transfers any Shares by way of gift and (iii) any person or entity to whom the Shares are Transferred by virtue of a pledge by the Executive to secure a borrowing from such Permitted Transferee. The Executive may transfer some or all of the Shares to a Permitted Transferee only if the Corporation shall have received notice of such transfer and an instrument substantially in the form of Exhibit A hereto pursuant to which the Permitted Transferee shall have agreed to be bound by the terms of this Section 4. Each certificate evidencing Shares or interests therein transferred as provided in this Section 4.4 shall bear the legend set forth in Section 4.2 hereof.

4.5. IMPROPER TRANSFER. (a) Any attempt to Transfer any Shares not in compliance with this Agreement shall be null and void and neither the Corporation nor any transfer agent of the Corporation shall register, or otherwise recognize in the Corporation's records, any such improper Transfer.

(b) The Executive shall not enter into any transaction or series of transactions for the purpose or with the effect of, directly or indirectly, denying or impairing the rights or obligations of the Corporation under this Agreement, and any such transaction shall be null and void and, to the extent that such transaction requires any action by the Corporation, it shall not be registered or otherwise recognized in the Corporation's records or otherwise.

4.6. ACCESS TO RECORDS AND DOCUMENTS. At any time during which the Executive is a stockholder and/or a member of the Board of Directors of the Corporation, the

Executive shall be entitled to inspect and copy such records and documents to the extent provided by the Stock Corporation Act of the Commonwealth of Virginia and any other applicable law.

5. <u>Registration Rights.</u>

5.1. <u>Secondary Registration.</u>

(a) REGISTRATION FOR RESALE. The Corporation intends to seek to create liquidity for the Shares held by the Executive prior to the Expiration Date. In the sole discretion of the Corporation, the Corporation may file with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-8 or Form S-3 (or similar form) sufficient to permit the public offering and sale of the Registrable Shares (as defined below) through all securities exchanges and over-the-counter markets on which the Corporation's Common Stock is then traded. For the purposes of this Agreement, "Registrable Shares" shall mean outstanding Shares and Shares issuable upon exercise of then-exercisable options held by the Executive and any other person holding registration rights substantially the same as the rights set forth in this Section 5, which Shares are not at that time the subject of an effective registration statement filed with the Commission. For the purposes of this Agreement, "Holders" shall mean all persons holding Registrable Shares including Permitted Transferees.

(b) NOTICE OF FILING OF REGISTRATION STATEMENT. In the event the Corporation determines to file a registration pursuant to Section 5.1(a), the Corporation shall notify each Holder of the proposed filing and request that each Holder notify the Corporation within 15 days thereafter of the number of Registrable Shares such Holder wishes the Corporation to register on such Holder's behalf. Each Holder shall, prior to the end of such 15 day period, request in writing that the Corporation register the sale of all or part of such Holder's Registrable Shares.

5.2. <u>Piggyback Registration Rights.</u>

(a) OFFER TO INCLUDE REGISTRABLE SHARES IN CORPORATION OFFERING. If, at any time prior to the Expiration Date, the Corporation shall file a registration statement to register shares of Common Stock for its own account in an underwritten offering with the Commission while any Registrable Shares are outstanding, the Corporation shall give all the Holders at least 45 days prior written notice of the filing of such registration statement. Subject to 5.2(b) below, if requested by any Holder in writing within 30 days after receipt of any such notice, the Corporation shall register or qualify all or, at each Holder's option, any portion of the Registrable Shares of any Holders who shall have made such request, concurrently with the registration of such other securities, all to the extent requisite to permit the public offering and sale of the Registrable Shares through the facilities of all appropriate securities exchanges and the over-the-counter market, and will use its best efforts through its officers, directors, auditors, and counsel to cause such registration statement to become effective as promptly as practicable.

(b) CUTBACK OF PARTICIPATION IN CORPORATION OFFERING. Notwithstanding Section 5.2(a), if the managing underwriter of any such offering shall advise the Corporation in writing that, in its opinion, the distribution of all or a portion of the Registrable Shares requested to be included in the registration concurrently with the securities being registered by the Corporation would materially adversely affect the distribution of such securities by the Corporation for its own account, then the number of Registrable Shares held by such Holder to be included in such registration statement shall be reduced to the extent advised by such managing underwriter, provided that any such reduction shall be made pro rata among the Holders electing to participate in such registration based on the aggregate number of Registrable Shares held by each Holder electing to so participate, and provided further that the total number of Registrable Shares included in any such registration shall not be less than 25% of the total number of shares of Common Stock included in the registration for the Corporation's account, the Holders account and the account of any other person.

5.3. Underwriting.

(a) UNDERWRITING IN SECONDARY REGISTRATION. If the Corporation undertakes a registration under Section 5.1, any Holder wishing to distribute the Registrable Shares which such Holder has requested to be registered in such registration by means of an underwriting, such Holder shall so advise the Corporation in such Holder's request to participate in such registration under Section 5.1(b). The Holders of a majority of the Registrable Shares being offered may select one or more underwriters for the registration under Section 5.1, which selection shall be approved by the Corporation, which approval shall not be unreasonably withheld provided such underwriter(s) are experienced and reputable. The Corporation shall, together with the Holders engaged in the registration hereunder, enter into an underwriting agreement with the representative of the underwriter or underwriters selected for such underwriting in accordance with this Section 5.3(a).

(b) UNDERWRITING IN PIGGYBACK REGISTRATION. In the event of an underwritten registration pursuant to the provisions of Section 5.2, any Holder who requests to have Registrable Shares included in such registration shall enter into such custody agreements and powers of attorney as are reasonably requested by the Corporation and any such underwriter, and, if requested, enter into an underwriting agreement containing customary terms.

(c) RIGHT OF WITHDRAWAL FROM UNDERWRITING. In the event of an underwritten offering under Section 5.3(a) or (b), the right of a Holder to participate in a registration hereunder shall be conditioned upon the inclusion of such Holder's Registrable Shares in such underwriting. If a Holder disapproves of the terms of the underwriting, such Holder may elect to withdraw therefrom by written notice to the Corporation and the underwriter delivered at least seven days prior to the effective date of the Registration Statement. The securities so withdrawn shall also be withdrawn from the Registration Statement.

5.4. EFFECTIVENESS AND EXPENSES. The Corporation will use its best efforts through its officers, directors, auditors and counsel to cause any

Registration Statement filed pursuant to this Section 5 to become effective as promptly as practicable. The Corporation shall be obligated to use its best efforts to maintain the effectiveness of such Registration Statement only until the earlier of (i) the Expiration Date, and (ii) the date on which no Registrable Shares remain outstanding (the "Registration Termination Date"). The Corporation shall be obligated to pay all expenses (other than the fees and disbursements of counsel for the Holders and underwriting discounts, if any, payable in respect of the Registrable Shares sold by the Holders) in connection with any such registration statement.

5.5. BLUE SKY REGISTRATIONS. In the event of a registration pursuant to the provisions of this Section 5, the Corporation shall use its best efforts to cause the Registrable Shares so registered to be registered or qualified for sale under the securities or blue sky laws of such jurisdictions as the Holders may reasonably request; provided, however, that the Corporation shall not be required to qualify to do business in any state by reason of this Section 5.5 in which it is not otherwise required to qualify to do business.

5.6. CONTINUING EFFECTIVENESS. Until the Registration Termination Date, the Corporation shall use its best efforts to keep effective any registration or qualification contemplated by this Section 5 and shall from time to time amend or supplement each applicable registration statement, preliminary prospectus, final prospectus, application, document and communication for such period of time as shall be required to permit the Holders to complete the offer and sale of the Registrable Shares covered thereby.

5.7. COPIES OF REGISTRATION STATEMENT AND RELATED DOCUMENTS. In the event of a registration pursuant to the provisions of this Section 5, the Corporation shall furnish to each Holder a copy of the Registration Statement and of each amendment and supplement thereto (in each case, including all exhibits), and a reasonable number of copies of each prospectus contained in such registration statement and each supplement or amendment thereto (including each preliminary prospectus), all of which shall conform to the requirements of the Act, and the rules and regulations thereunder, and such other documents, as any Holder may reasonably request to facilitate the disposition of the Registrable Shares included in such registration.

5.8. RULE 144 ELIGIBILITY. The Corporation agrees that, following the Expiration Date, until all the Registrable Shares have been sold under a registration statement or pursuant to Rule 144 under the Act, the Corporation shall use its best efforts to keep current in filing all reports, statements and other materials required to be filed with the Commission to permit holders of the Registrable Shares to sell such securities under Rule 144.

6. <u>Indemnity.</u>

6.1. CORPORATION INDEMNIFICATION OF THE HOLDERS. Subject to the conditions set forth below, the Corporation agrees to indemnify and hold harmless each Holder, its officers, directors, partners, employees, agents and counsel, if any, and each person, if any, who controls any such person within the meaning of Section 15 of the Act or Section 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), if any, from and against any and all loss, liability, charge, claim, damage and expense whatsoever (which shall include, for all purposes of this Section 6, without limitation, attorneys' fees and any and all expenses whatsoever incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever, and any and all amounts paid in settlement of any claim or litigation), as and when incurred, arising out of, based upon, or in connection with any untrue statement or alleged untrue statement of a material fact contained in any registration statement, preliminary prospectus or final prospectus (as from time to time amended and supplemented), or any amendment or supplement thereto, relating to the sale of any of the Registrable Shares, filed with the Commission or any securities exchange; or any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, unless such statement or omission was made in reliance upon and in conformity with written information furnished to the Corporation with respect to such Holder by or on behalf of such person expressly for inclusion in any registration statement, preliminary prospectus, or final prospectus, or any amendment or supplement thereto, as the case may be. The foregoing agreement to indemnify shall be in addition to any liability the Corporation may otherwise have, including liabilities arising under this Agreement.

If any action is brought against any Holder or any of its officers, directors, partners, employees, agents or counsel, or any controlling persons of such person (an "Indemnified Party") in respect of which indemnity may be sought against the Corporation pursuant to the foregoing paragraph, such Indemnified

Party or Parties shall promptly notify the Corporation in writing of the institution of such action (but the failure so to notify shall not relieve the Corporation from any liability other than pursuant to this Section 6.1) and the Corporation shall promptly assume the defense of such action, including the employment of counsel (reasonably satisfactory to such Indemnified Party or parties) and payment of expenses. Such Indemnified Party or parties shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or parties unless the employment of such counsel shall have been authorized in writing by the Corporation in connection with the defense of such action or the Corporation shall not have promptly employed counsel reasonably satisfactory to such Indemnified Party or Parties to have charge of the defense of such action or such Indemnified Party or parties shall have reasonably concluded that there may be one or more legal defenses available to it or them or to other indemnified parties which are different from or additional to those available to the Corporation, in any of which events such fees and expenses shall be borne by the Corporation, and the Corporation shall not have the right to direct the defense of such action on behalf of the Indemnified Party or Parties. Anything in this Section 5 to the contrary notwithstanding, the Corporation shall not be liable for any settlement of any such claim or action effected without its written consent, which shall not be unreasonably withheld. The Corporation shall not, without

the prior written consent of each Indemnified Party that is not released as described in this sentence, settle or compromise any action, or permit a default or consent to the entry of judgment in or otherwise seek to terminate any pending or threatened action, in respect of which indemnity may be sought hereunder (whether or not any Indemnified Party is a party thereto), unless such settlement, compromise, consent or termination includes an unconditional release of each Indemnified Party from all liability in respect of such action. The Corporation agrees promptly to notify the Holders of the commencement of any litigation or proceedings against the Corporation or any of its officers or directors in connection with the sale of any Registrable Shares or any preliminary prospectus, prospectus, registration statement or amendment or supplement thereto, or any application relating to any sale of any Registrable Shares.

6.2. HOLDER INDEMNIFICATION OF THE CORPORATION. Each Holder participating in any such registration shall indemnify and hold harmless the Corporation, each director of the Corporation, each officer of the Corporation who shall have signed the registration statement covering Registrable Shares held by the Holder, each other person, if any, who controls the Corporation within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, and its or their respective counsel, to the same extent as the foregoing indemnity from the Corporation to the Holders in Section 6.1, but only with respect to statements or omissions, if any, made in any registration statement, preliminary prospectus or final prospectus (as from time to time amended and supplemented), or any amendment or supplement thereto, in reliance upon and in conformity with written information furnished to the Corporation with respect to such Holder by or on behalf of such Holder expressly for inclusion in any such registration statement, preliminary prospectus or final prospectus, or any amendment or supplement thereto, as the case may be. If any action shall be brought against the Corporation or any other person so indemnified based on any such registration statement, preliminary prospectus or final prospectus, or any amendment or supplement thereto, or in any application, and in respect of which indemnity may be sought against such Holder pursuant to this Section 6.2, such Holder shall have the rights and duties given to the Corporation and the Corporation and each other person so indemnified shall have the rights and duties given to the indemnified parties, by the provisions of Section 6.1.

6.3. CONTRIBUTION. To provide for just and equitable contribution, if (i) an Indemnified Party makes a claim for indemnification pursuant to Section 6.1 or 6.2 but it is found in a final judicial determination, not subject to further appeal, that such indemnification may not be enforced in such case, even though this Agreement expressly provides for indemnification in such case, or (ii) any indemnified or indemnifying party seeks contribution under the Act, the Exchange Act or otherwise, then the Corporation (including for this purpose any contribution made by or on behalf of any director of the Corporation, any officer of the Corporation who signed any such registration statement, any controlling person of the Corporation, and its or their respective counsel), as one entity, and the Holders of the Registrable Shares included in such registration in the aggregate (including for this purpose any contribution by or on behalf of an Indemnified Party), as a second entity, shall contribute to the losses, liabilities, claims, damages and expenses whatsoever to which any of them may be

subject, on the basis of relevant equitable considerations such as the relative fault of the Corporation and such Holders in connection with the facts which resulted in such losses, liabilities, claims, damages and expenses. The relative fault, in the case of an untrue statement, alleged untrue statement, omission or alleged omission, shall be determined by, among other things, whether such statement, alleged statement, omission or alleged omission relates to information supplied by the Corporation or by such Holders, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement, alleged statement, omission or alleged omission. The Corporation and the Holder agree that it would be unjust and inequitable if the respective obligations of the Corporation and the Holders for the contribution were determined by pro rata or per capita allocation of the aggregate losses, liabilities, claims, damages and expenses (even if the Holder and the other indemnified parties were treated as one entity for such purpose) or by any other method of allocation that does not reflect the equitable considerations, referred to in this Section 6.3. In no case shall any Holder be responsible for a portion of the contribution obligation imposed on all Holders in excess of its pro rata share based on the number of Registrable Shares of by it and included in such registration as compared to the number of Registrable Shares owned by all Holders and included in such registration. No person guilty of a fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation. For purposes of this Section 6.3, each person, if any, who controls any Holder within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act and each officer, director, partner, employee, agent and counsel of each such Holder or control person shall have the same rights to contribution as such Holder or control person and each person, if any, who controls the Corporation within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, each officer of the Corporation who shall have signed any such registration statement, each director of the Corporation and its or their respective counsel shall have the same right to contribution as the Corporation, subject in each case to the provisions of this Section 6.3. Anything in this Section 6.3 to the contrary notwithstanding, no party shall be liable for contribution with respect to the settlement of any claim or action effected without its written consent. This Section 6.3 is intended to supersede any right to contribution under the Act, the Exchange Act or otherwise.

7. MISCELLANEOUS.

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

If to the Corporation,

MAXIMUS, Inc.
1356 Beverly Road
McLean, Virginia 22201
Attention: David V. Mastran

If to the Executive,

Lynn P. Davenport
MAXIMUS, Inc.
36 Washington Street, #320
Wellesley, MA 02181-1904

Any notice, request, demand or other communication delivered or sent in the foregoing manner shall be deemed given or made (as the case may be) upon the earliest of (i) the date it is actually received, (ii) the business-day after the day on which it is delivered by hand, (iii) the business day after the day on which it is properly delivered to Federal Express (or a comparable overnight delivery service), or (iv) the third business day after the date on which it is deposited in the United States mail. Either party may change its address by

notifying the other party of the new address in any manner permitted by this paragraph. Rejection or other refusal to accept or the inability to deliver because of a changed address of which no notice was given shall not affect the date of such notice, election or demand sent in accordance with the foregoing provisions.

7.2. REMEDIES. The parties hereto further agree and acknowledge that any violation by the Executive of the terms hereof may result in irreparable injury and damage to the Executive, Corporation or its clients, as the case may be, which will not adequately be compensable in monetary damages, that the Corporation will have no adequate remedy at law therefor, and that the Corporation may obtain such preliminary, temporary or permanent mandatory or restraining injunctions, orders or decrees as may be necessary to protect it against, or on account of, any breach of the provisions contained in this Agreement.

7.3. NO OBLIGATION OF CONTINUED EMPLOYMENT AFTER TERMINATION OF SECTION 1. Except as set forth in Section 1 hereof, the Executive understands that this Agreement does not constitute a contract of employment or create an obligation on the part of the Corporation to continue the Executive's employment with the Corporation.

7.4. BENEFIT; ASSIGNMENT. This Agreement shall bind and inure to the benefit of the parties and their respective personal representatives, heirs, successors and assigns, provided this Agreement may not be assigned by either party without the consent of the other except that the Corporation may assign this Agreement in connection with the merger, consolidation or sale of all or substantially all of its business or assets. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and other legal representatives and, to the extent that any assignment hereof is permitted hereunder, their assignees.

7.5. ENTIRE AGREEMENT. This Agreement supersedes all prior agreements, written or oral, with respect to the subject matter of this Agreement, including the Shareholder Agreement dated January 2, 1996.

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

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

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

7.9. GOVERNING LAW. This Agreement shall be construed as a sealed instrument and shall in all events and for all purposes be governed by, and construed in accordance with, the laws of the Commonwealth of Virginia without regard to any choice of law principle that would dictate the application of the laws of another jurisdiction. Any action, suit or other legal proceeding which the Executive may commence to resolve any matter arising under or relating to any provision of this Agreement shall be commenced only in a court of the Commonwealth of Virginia (or, if appropriate, a federal court located within Virginia), and the Executive hereby consent to the jurisdiction of such court with respect to any action, suit or proceeding

commenced in such court by the Corporation. The Section headings are included solely for convenience and shall in no event affect or be used in connection with, the interpretation of this Agreement.

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

7.10. AMENDMENTS. No alterations or additions to this Agreement shall be binding unless in writing and signed by both the parties.

7.11. GENDERS. Whenever reasonably necessary, pronouns of any gender shall be deemed synonymous, as shall singular and plural pronouns.

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

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

Lynn P. Davenport

MAXIMUS, INC.

By:

Name:
Title:

EXHIBIT A

FORM OF AGREEMENT TO BE BOUND

[DATE]

MAXIMUS, INC.
1356 Beverly Road
McLean, VA 22101

Ladies and Gentlemen:

Reference is made to the Executive Non-Compete, Confidentiality and Stock Restriction Agreement (the "Agreement") dated as of _____________ __, 1997 between MAXIMUS, Inc. (the "Company") and Lynn P. Davenport (the "Transferor").

The undersigned is the transferee of _________ shares of _____________ Common Stock of the Corporation from the Transferor (the "Shares").

In consideration of the representations, covenants and agreements contained in the Agreement, the undersigned hereby confirms and agrees to be bound by all of the provisions of Section 3 of the Agreement applicable to the Transferor with respect to the Shares.

This letter shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia without regard to the conflicts of law rules of such state.

Very truly yours,

EXHIBIT 10.12

STATE OF CALIFORNIA

<TABLE>

<S> <C>

STANDARD AGREEMENT -- APPROVED BY THE ATTORNEY GENERAL	CONTRACT NUMBER	AM.NO.
	96-26293	00
	TAXPAYER'S FEDERAL EMPLOYER IDENTIFICATION NUMBER	
	541-000588	

THIS AGREEMENT, made and entered into this 1st day of October, 1996, in the State of California, by and between State of California, through its duly elected or appointed, qualified and acting

</TABLE>

<TABLE>

<S> <C>

TITLE OF OFFICER ACTING FOR STATE	AGENCY	
Chief, Program Support Branch	Department of Health Services	, hereafter called the State, and
CONTRACTOR'S NAME		
MAXIMUS		, hereafter called the Contractor.

</TABLE>

WITNESSETH: That the Contractor for and in consideration of the covenants, conditions, agreements, and stipulations of the State hereinafter expressed, does hereby agree to furnish to the State services and materials as follows: (Set forth service to be rendered by Contractor, amount to be paid Contractor, time for performance or completion, and attach plans and specifications, if any.)

ARTICLE I - PREAMBLE

THIS CONTRACT IS ENTERED INTO UNDER THE PROVISIONS OF SECTION 14016.5 ET SEQ., WELFARE AND INSTITUTIONS CODE (W&I CODE) AND SB835, AN ACT TO AMEND SECTIONS 14016.5, 14088.05, 14088.22, 14089, 14301, 14304, AND 14408, AND TO ADD SECTIONS 14087.305, 14088.23, AND 14464 TO THE WELFARE AND INSTITUTIONS CODE, RELATING TO MEDI-CAL.

APPROVED

/s/ Gina Durante 10/9/96

Department of Finance
Budget Division

CONTINUED ON 33 SHEETS, EACH BEARING NAME OF CONTRACTOR AND CONTRACT NUMBER.

The provisions on the reverse side hereof constitute a part of this agreement. IN WITNESS WHEREOF, this agreement has been executed by the parties hereto, upon the date first above written.

STATE OF CALIFORNIA	CONTRACTOR
AGENCY	CONTRACTOR (If other than an individual, state whether a corporation, partnership, etc.)
Department of Health Services	MAXIMUS
BY (AUTHORIZED SIGNATURE)	BY (AUTHORIZED SIGNATURE)
/s/ Pamela A. Harley	/s/ David V. Mastran
PRINTED NAME OF PERSON SIGNING	PRINTED NAME AND TITLE OF PERSON SIGNING
Edward E. Stahlberg	David V. Mastran, CEO
TITLE	ADDRESS
Chief, Program Support Branch	1356 Beverly Road, McLean, VA 22101

<TABLE>

<S> <C> <C>

AMOUNT EMCUMBERED BY THIS DOCUMENT — PROGRAM/CATEGORY (CODE AND TITLE) — FUND TITLE — DEPARTMENT OF GENERAL SERVICES

$48,200,000 — Loc.Asst.Sect 14157 W & I Code — Health Care DEposit — USE ONLY

BUDGET — FORM POLICY

(OPTIONAL USE)

PRIOR AMOUNT ENCUMBERED FOR THIS CONTRACT — Department of General Services

$-0- — Fed.Cat.No. 93778 4260-101-001 & 890 — APPROVED

ITEM	CHAPTER	STATUTE	FISCAL YEAR
4260-601-912	162	1996	96/97

TOTAL AMOUNT ENCUMBERED TO STATE — OCT. 10, 1996

$48,200,000

OBJECT OF EXPENDITURE (CODE AND TITLE)

N/A

I hereby certify upon my own personal knowledge that budgeted funds are available for the period and purpose of the expenditure stated above. T.B.A. NO. B.R.NO.

BY /s/ Garry Ness

SIGNATURE OF ACCOUNTING OFFICER — DATE

/s/ Roberta Purser — 10/2/96 — Ass't Chief Counsel

[ ] CONTRACTOR [ ] STATE AGENCY [ ] DEPT. OF GEN. SER. [ ] CONTROLLER [ ]
</TABLE>

STATE OF CALIFORNIA

STANDARD AGREEMENT

1. The Contractor agrees to indemnify, defend and save harmless the State, its officers, agents and employees from any and all claims and losses accruing or resulting to any and all contractors, subcontractors, material men, laborers and any other person, firm or corporation furnishing or supplying work services, materials or supplies in connection with the performance of this contract, and from any and all claims and losses accruing or resulting to any person, firm or corporation who may be injured or damaged by the Contractor in the performance of this contract.

2. The Contractor, and the agents and employees of Contractor, in the performance of the agreement, shall act in an independent capacity and not as officers or employees or agents of State of California.

3. The State may terminate this agreement and be relieved of the payment of any consideration to Contractor should Contractor fail to perform the covenants herein contained at the time and in the manner herein provided. In the event of such termination the State may proceed with the work in any manner deemed proper by the State. The cost to the State shall be deducted from any sum due the Contractor under this agreement, and the balance, if any, shall be paid the Contractor upon demand.

4. Without the written consent of the State, this agreement is not assignable by Contractor either in whole or in part.

5. Time is of the essence in this agreement.

6. No alteration or variation of the terms of this contract shall be valid unless made in writing and signed by the parties hereto, and no oral understanding or agreement not incorporated herein, shall be binding on any of the parties hereto.

7. The consideration to be paid Contractor, as provided herein, shall be in compensation for all of Contractor's expenses incurred in the performance hereof, including travel and per diem, unless otherwise expressly so provided.

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WHEREAS, it is the intention of the Department that the Contractor will:

Provide accurate, complete and current information to AFDC and MediCal applicants and beneficiaries on managed care plans with available capacity, provide services in the area where the person resides, and in the person's primary language; and

Educate and inform AFDC and Medi-Cal beneficiaries of the options for obtaining Medi-Cal services through either enrollment in managed care plans or fee-for-service Medi-Cal with an emphasis on the benefits and limitations of increased access to health care services through health care plans; and

Implement the HCO program in a timely and uniform manner in those counties which will require an HCO program due to new or existing managed care plans in those counties and future counties designated by the Department without interruption to County Welfare Departments and/or services AFDC and Medi-Cal beneficiaries; and,

Conduct all enrollment and disenrollment activities in any County, as designated by the Department, in a timely and efficient manner; and

Develop and maintain a process to assign AFDC and Medi-Cal beneficiaries, who have failed to make a timely managed care plan choice or are exempt from assignment, into an available managed care plan which provides services in an area where the beneficiary resides; and

Serve as a resource, educate and provide assistance to help enrollees understand the methods available to resolve issues and problems with their health care plan; and

WHEREAS, it is in the best interest of all parties to enter into this contract;

NOW THEREFORE, the contract is entered as follows:

ARTICLE II - GENERAL TERMS AND CONDITIONS

A. GOVERNING AUTHORITIES

This contract will be governed and construed in accordance with:

Chapter 7 and 8, Part 3, Division 9, Welfare and Institutions Code;

- Division 3, Title 22, California Code of Regulations;
- Title 42, Code of Federal Regulations (CFR);
- Title 42, United States Code, Section 1396 et seq.;
- Title 45, Code of Federal Regulations, Part 74;
- Section 10344, (c)(2), Public Contract Code;
- Section 3700, California Labor Code.

All other applicable laws and regulations, and any amendments of, additions to, or deletions from those laws and regulations.

Any provision of this contract which is in conflict with the above laws, regulations and federal Medicaid statutes is hereby amended to conform to the provisions of those laws and regulations. The amendment of the contract shall be effective on the effective date of the statutes or regulations necessitating it, and shall be binding on the parties even though such amendment may not have been reduced to writing and formally agreed upon and executed by the parties. If, due to amendment in laws and regulations, Contractor is unable or unwilling to comply with the provisions of the amendment(s), the Contractor may terminate this contract. The termination shall become effective on the last day of the second calendar month following the month in which notice of termination was given.

B. FULFILLMENT OF OBLIGATIONS

No covenant, condition, duty, obligation, or undertaking contained or made a part of this contract will be waived except by written agreement of the parties hereto, and forbearance or indulgence in any other form or manner by either party in any regard whosoever will not constitute a waiver of covenant, condition, duty, obligation or undertaking to be kept, performed or discharged by the party to which the same may apply; and, until performance or satisfaction of all covenants, conditions, duties, obligations, and undertakings is complete, the other

party will have the right to invoke any remedy available under the contract, or under law, notwithstanding such forbearance or indulgence.

C. INDEMNIFICATION

Contractor shall indemnify, defend and hold harmless the State of California and its agencies, officers, agents and employees from and against any and all claims and losses accruing or resulting from any and all contractors, subcontractors, material persons, laborers and any other person, firm or corporation furnishing or supplying work, services, equipment, materials, or supplies in connection with the performance of this agreement, and from any and all claims and losses accruing or resulting from any person, firm or corporation who may be injured or damaged by the Contractor in the performance of this agreement. Contractor agrees to include the State in any consultant or subcontractor agreements as a named indemnitee. Contractor further agrees to indemnify the State against all loss incurred by the State as a result of Contractor's failure to comply with terms and conditions of State of California, Department of Health Services and other sponsors' administrative requirements including but not limited to costs expended by Contractor which are determined by the Federal and State Government to be ineligible for reimbursement.

Contractor, subcontractor, and the agents and employees of the Contractor, in the performance of this agreement shall act in an independent capacity and not as officers, employees or agents of the State of California.

D. ASSIGNMENT

Without the written consent of the State, this agreement is not assignable by the Contractor, either in whole or in part; this agreement shall inure to the benefit and bind the successors of each of the parties; this agreement shall be governed by the laws of the State of California as to interpretation and performance; and no alteration or variation of the terms of this contract shall be valid unless made in writing and signed by the parties hereto, and no oral understanding or agreement not incorporated herein in writing shall be binding on any of the parties hereto. Time is of the essence in this agreement.

E. INSPECTION RIGHTS

The Contractor will allow the Department, Health and Human Services (HHS), the Comptroller General of the United States, Department of Justice (DOJ), Bureau of Medi-Cal Fraud, Department

of Corporations (DOC), and other authorized state agents or their duly authorized representatives, to inspect or otherwise evaluate the quality, appropriateness and timeliness of services performed under this contract, and to inspect, evaluate and audit any and all books, records, and facilities maintained by the Contractor and subcontractors, pertaining to such services at any time during the normal business hours. Books and records include, but are not limited to, all physical records originated or prepared pursuant to the performance under this contract including working papers, reports, financial records and books of account, subcontracts, and any other documentation pertaining to services rendered. Upon request, at any time during the period of this contract, the Contractor will furnish any such records, or copy thereof, to the Department or HHS.

To assure compliance with the contract and for any other reasonable purpose, the Department and its authorized representatives and designees will have the right to premises access, with or without notice to the Contractor. This will include the enrollment form processing facility,

presentation sites, or such other place where duties under the contract are being performed.

Staff designated by the Department or the State Auditor will have access to all security areas and the Contractor will provide, and will require any and all of its subcontractors to provide, reasonable facilities, cooperation and assistance to Department representative(s) in the performance of their duties. Access will be undertaken in such a manner as not to unduly delay the work of the Contractor and/or subcontractor(s).

F. COMPLIANCE WITH OBLIGATIONS

The Contractor is required to comply with all obligations under this contract. The Department will issue a letter of non-compliance to the Contractor for any violations, and impose any sanctions allowed by law. The letter of non-compliance will include the violation, sanctions which may be imposed, and corrective action required by the Contractor, including time frames required for said corrective action. Failure to comply with corrective actions within the specified time frames shall be deemed to be a subsequent violation. Requests for Extensions of specified time frames must be submitted in writing to the Departments Contract Manager for approval prior to the expiration of the time frames.

G. DISCRIMINATION COMPLAINTS

The Contractor agrees that copies of all grievances received by the Contractor alleging discrimination against members of MediCal managed care plans, Medi-Cal applicants or beneficiaries because of race, color, creed, sex, religion, age, national origin, ancestry, marital status, sexual orientation, or physical or mental handicap will be forwarded to the Department for review and appropriate action.

H. NONDISCRIMINATION CLAUSE AND COMPLIANCE

During the performance of this agreement, Contractor and its subcontractors shall not unlawfully discriminate, harass, or allow harassment, against any employee, applicant for employment, or beneficiary because of sex, race, color, ancestry, religious creed, national origin, disability (including HIV and AIDS), medical condition (i e. cancer), age, marital status, denial of family and medical care leave and denial of pregnancy disability leave. Contractor and its subcontractors shall ensure that the evaluation and treatment of their employees, applicants for employment, and beneficiaries are free from discrimination and harassment. Contractor and its subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code, Section 12900 et seq.), and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285.0 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code, Section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations are incorporated into this agreement by reference and made a part hereof as if set forth in full. Contractor and its subcontractor shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement.

Contractor shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under this agreement.

I. AMERICANS WITH DISABILITIES ACT CERTIFICATION

The Contractor, by signing this agreement, agrees to fully comply with the Americans with Disabilities Act (ADA) of 1990, (42 U.S.C. 12101 et seq.), which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA.

J. CONTRACTORS NATIONAL LABOR RELATIONS BOARD CERTIFICATION

The Contractor, by signing this agreement, does swear under penalty of perjury that no more than one final unappealable finding of contempt of court by a federal court has been issued against the Contractor within the immediate preceding two (2) year period because of the Contractor's failure to comply with an order of the National Labor Relations Board (Public Contracting Code Section 12096).

K. MINORITY, WOMEN, AND DISABLED VETERAN BUSINESS ENTERPRISE PARTICIPATION GOALS

The Contractor will comply with applicable requirements of California law relating to Minority/Women/Disabled Veteran Business Enterprises (M/W/DVBE) commencing at Section 10115 of the Public Contract Code.

L. CERTIFICATION OF DRUG-FREE WORKPLACE

By signing this agreement, Contractor hereby certifies under penalty of perjury under the laws of the State of California that the Contractor will comply with the requirements of the Drug-Free Workplace Act of 1990 (Government Code, Section 8350 et seq.) and will provide a drug-free workplace by taking the following actions:

1. Publishing a statement notifying employees that unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited and specifying actions to be taken against employees for violations as required by Government Code, Section 8355(a);

2. Establishing a Drug-Free Awareness Program as required by Government Code, Section 8355 (b), to inform employees about:

   a. The dangers of drug abuse in the workplace;

   b. The person's or organization's policy of maintaining a drug-free workplace;

   c. Any available counseling, rehabilitation and employee assistance programs; and,

   d. Penalties that may be imposed upon employees for drug abuse violations; and

3. Providing, as required by Government Code, Section 8355(c),

that every employee who performs work under this agreement:

   a. will receive a copy of the Contractor's drug-free policy statement; and

   b. will agree to abide by the terms of the Contractor's statement as a condition of employment under this agreement.

M. CONSULTANT SERVICES

Contractor shall be bound by the following provisions:

1. Contractor is hereby advised of his or her duties, obligations and rights under Public Contract Code, Sections 10355 through 10382. In the event of a dispute, the matter shall be settled by an arbitrator mutually agreed upon by both parties.

2. Contractor's key personnel assigned to perform work under this agreement and their level of responsibility shall be mutually acceptable to the State and Contractor.

3. Contractor shall supply to the State one copy of a resume for each employee, consultant, or employee of a subcontractor who will exercise a major administrative, policy or consultative role on behalf of the Contractor.

4. Contractor shall provide a series of progress reports in the manner stipulated by the State.

5. Upon expiration or cancellation of this agreement, Contractor shall submit to the State a comprehensive final report and, if required by the State, schedule a final meeting with the State.

Failure to comply with these requirements may result in suspension of

payment under this agreement or cancellation of this agreement, or both, and the Contractor may be ineligible for award of any future state contracts if the State determines that the Contractor:

1. has made a false certification; or

2. violates the certification by failing to carry out the requirements as noted above.

N. NOTICES

All notices to be given under this contract will be in writing and will be deemed to have been given when mailed to the Department or the Contractor:

State Department of Health Services Medi-Cal Managed Care Division Health Care Options Unit 714 P Street, Room 1340 P.O. Box 942732 Sacramento, CA 94234-7320 Attn: Contract Manager	Maximus 1485 River Park Drive, Suite 200 Sacramento, CA 95815 Attn: Russ Beliveau or Jerry Coker

O. EVALUATION OF CONTRACTORS PERFORMANCE

1. Contractor is hereby notified that its performance under this agreement will be evaluated within sixty (60) days of the completion date of this agreement. This evaluation will remain on file with the Department of General Services. The evaluation will remain on file for thirty-six (36) months. The evaluation will report:

    a. Whether the contracted work or services were completed as specified in the contract;

    b. Whether the contracted work or services met the quality standards specified in the contract;

    c. Whether the contractor fulfilled all the requirements of the contract, and, if not, in what ways the contractor did not fulfill the contract;

    d. Factors outside the control of the contractor that caused difficulties in contractor performance;

    e. Other information the State may require; and,

    f. How the contract results and findings will be utilized to meet State goals.

2. If the Contractor's performance was judged unsatisfactory in any of the factors specified in Subsection 1, above, and was not mitigated by circumstances specified in Subsection 1 4, above, the evaluation shall be considered unsatisfactory for purposes of Subsections 3 and 4, below.

3. Contractor is further advised that if the State prepares an unsatisfactory evaluation under the provisions of Subsection

2, above, the Contractor shall be notified and sent a copy of the evaluation within fifteen (15) days of its preparation. The evaluation shall be placed on file with the Department of General Services. The Contractor shall have thirty (30) days to send statements to the State and the Department of General Services defending its performance under this agreement. These statements shall be filed with the evaluation in the State's contract file and in the Department of General Service's files.

4. Contractor evaluations shall remain on file with the State for thirty-six (36) months.

P. RESOLUTION OF DISPUTES

If the Contractor disputes any action by the Contract Manager arising under or out of the performance of this agreement, the Contractor shall notify the Contract Manager of the dispute in writing and request a decision. The Contract Manager shall issue a decision within thirty (30) days of the Contractor's notice. If the Contractor disagrees with the Contract Manager's decision, the Contractor shall submit an appeal to the Chief of the MediCal Managed Care Division.

The decision of the Contract Manger shall be final and conclusive on the dispute unless the decision is arbitrary, capricious, or grossly erroneous or if any determination of fact is unsupported by substantial evidence. The decision of the Division Chief shall be in writing following an opportunity for contractor to present documentary evidence and written arguments in support of the matter.

Q. PUBLICATION REQUIREMENTS

1. Any publication resulting from this project, whether copyrighted or not, must include an acknowledgement of support by the Department of Health Services and the State, including a statement similar to "A partnership program with the Department of Health Services" and indicating the appropriate agreement number. Except for scientific articles and papers appearing in scientific journals, materials must also contain the following disclaimer:

   "ANY OPINIONS, FINDINGS, CONCLUSIONS, OR RECOMMENDATIONS EXPRESSED IN THIS PUBLICATION ARE THOSE OF THE AUTHOR(S) AND DO NOT NECESSARILY REFLECT THE VIEWS OF THE DEPARTMENT OF HEALTH SERVICES OR THE STATE OF CALIFORNIA."

2. The State reserves a royalty fee, non-exclusive and

   irrevocable license to reproduce, publish or otherwise use and to authorize others to use, for State purposes:

   a. the copyright in any work developed under this agreement or subcontract; and

   b. any rights of copyright to which a grantee or contractor purchases ownership with State support.

3. Grantees shall comply with this section and provisions of OMB-Circular A-110, paragraph 8b, and 13 CFR Part 143.34, to take all necessary and prudent steps required to protect the federal government's, and the State of California's license when conveying rights to publishers.

R. COPYRIGHT AND OWNERSHIP OF MATERIALS

1. The term "Work" as used in this Section, Section Q, PUBLICATION REQUIREMENTS, and Section S, STATE TRADEMARKS AND SERVICE MARKS, means all writing and printed material including the medium by which it is recorded or reproduced, photographs, art work, pictorial reproductions, drawings or other graphic representations and works of a similar nature, sound recordings, films, tapes, original computer programs (including executable computer programs and supporting data in any form) and any other materials or products conceptualized, developed and/or delivered in the course of or under this agreement. The "Work" does not include those materials licensed pursuant to Subsection 3, below.

2. Ownership

   In connection with any and all copyrightable or trademarked Work developed or created by Contractor or its employees or subcontractors in the course of performing and creating the Work, it is understood and agreed that such Work shall be produced as work made for hire when the Work is within the scope of the definition of work made for hire in the United States Copyright Act. As such, the copyrights in such Work shall belong to the State and no further action shall be necessary to perfect the State's rights in them. In addition, Contractor shall place or cause to be placed the following legend on all Work, inserting the year of the Work's creation in the blank space:

"Copyright @ 199_ by the State of California. All rights reserved."

3. Licenses

For Work(s) requiring the use of copyrighted materials, contractor shall furnish the names and addresses of all copyright holder(s) or their agent(s), if any, and the terms of any license(s) or usage granted, at the time of delivery of the Work. No licensed materials will be used without prior written permission of the State.

4. Assignment

If for any reason, the State is not deemed to be the owner of all right, title and interest in the Work, then Grantee hereby assigns all such rights to the State, and Grantee shall cause or require its personnel and subcontractors to assign to Grantee or State, at the time of creation of the Work, all such rights they may have in the Work, all without any requirement for further consideration Grantee shall take such further actions, including the execution and delivery of instruments of conveyance, as may be appropriate to give full and proper effect to such assignments.

5. Warranties

Contractor represents and warrants that:

a. It is free to enter into and fully perform this agreement;

b. It has secured or will secure all rights and licenses necessary for the production of the Work;

c. Neither the Work nor any of the materials, contained therein, nor the exercise by the Contractor of the rights granted in this agreement, will infringe upon or violate the rights or interests of any person or entity;

d. Neither the Work nor any part of it will;

(1) violate the right of privacy of any person, firm, or corporation;

(2) constitute a libel or slander against any person, firm or corporation; or

(3) infringe upon the copyright, literacy, dramatic, statutory or common law rights of any person, firm or corporation.

e. It has not granted and shall not grant to any person or entity any right that would or might derogate, encumber or interfere with any of the rights granted to the State in this agreement.

6. Indemnity

Contractor agrees to indemnify, defend and hold harmless the State and its licensees and assignees, and their officers, directors, employees, agents, representatives, successors, from and against all claims, actions, damages, losses, costs and expenses, including reasonable attorneys fees; which any of them may sustain because of the use of the Work and any other materials furnished by Contractor under this agreement, or because of the breach of any of the representations or warranties made in this agreement.

7. Notwithstanding the foregoing, any and all licenses granted by the

Contractor to the State pursuant to this section shall only be granted to the extent that Contractor now has, or prior to the completion of this agreement, may acquire the right to grant such a license. The State hereby accepts any and all such licenses granted hereunder. The State acknowledges that reuse of licensed materials, or use in a different creative work or format will require renegotiations of use fees and compensation by the State to the copyright holders. The State agrees not to use any copyrighted materials outside the scope of the license as mutually agreed by the State and the Contractor.

S. STATE TRADEMARKS AND SERVICE MARKS

1. Certain trademarks and service marks ("Golden California" and "The California's" and other logo(s)), as set forth in Exhibit X, State Trademarks and Service Marks, are the exclusive property of the State of California, and may not be used alone or in combination with other words, phrases, logos or marks, without advance written permission from the State. Form and content of all advertising and promotional materials, including magazines, require advance written permission of the State. The trademarks and service marks, "Golden California" and "The California's", shall be set apart from other text in some fashion, such as larger type, quotation marks, different colors, distinctive lettering, as approved in writing by the State. All trademarks and service marks shall bear the statutory trademark/service mark notice

2. If any State trademarks and service marks are used in the

Work, the form and content of the Work must be approved by the State prior to printing. In such case the State shall review all preprinting proofs, such as blue lines and color keys, prior to printing. The Contract Manager shall designate one person responsible for reviewing all such preprinting proofs on behalf of the State.

T. PATENTS

1. The following definition applies to this section: "Subject Invention" means any invention conceived and first actually reduced to practice by Contractor in the course of or under the State funded portion of this agreement (that portion of this agreement for which the Contractor has invoiced the State and received reimbursement) and includes any art, method, process, machine, manufacture, design or composition of matter, or any new and useful improvement thereof, or any variety of plants or animals, patentable under the patent laws of the United States of America.

2. Right of Parties

   a. Patent rights for Subject Inventions will be the property of the Contractor, subject to the State retaining a royalty-free, non-exclusive, nontransferable, irrevocable license to use or have practiced for or on behalf of the State of California, Subject Invention(s) for governmental purposes. The State does not have the right to sub-license pursuant to any license obtained pursuant to this agreement Contractor must obtain agreements to effectuate this clause with all persons or entities obtaining ownership interest in the patented Subject Invention(s). Previously documented (whether patented or unpatented under the patent laws of the United States of America or any foreign country) inventions and background patents are exempt from this provision.

   b. To the extent permitted by law or overriding obligations of Contractor, the Contractor agrees to grant the State a royalty-free, non-exclusive, irrevocable, nontransferable license to produce, translate, publish, use and dispose of, for or on behalf of the State of California all copyrightable material first produced or composed in the performance under the State funded portion of this agreement. The license described in this paragraph is limited to governmental purposes, and the State is precluded from sub-licensing under any license obtained pursuant to

this agreement.

3. Disclosure Reporting

Except as otherwise provided in Subsection 7.a, below, the Contractor shall submit a written report to the Contract Manager on each Subject Invention, specifying the patent(s) applied for, patent(s) issued, and patent application(s) abandoned by or issued to the Contractor, and/or to any of the participants.

4. Except in a patent application, the Contractor shall include in any materials describing the patent mention of the State's role in the project which resulted in the patent.

5. Reports

The State reserves the right to use and reproduce all reports and data produced and delivered pursuant to Subsection 6 and all other reporting and monitoring requirements of this agreement, and reserves the right to authorize others to use or reproduce such materials. All reports are to be delivered to the Contract Manager. The State will withhold from disclosure to the public information disclosing any Subject Invention for a reasonable time in order for a patent application to be filed. Furthermore, the State shall not release copies of any document which is part of an application for a patent filed with the United States Patent and Trademark Office or with any foreign patent office.

6. Reporting After Expiration or Cancellation of This Agreement

During the period of this agreement and for five (5) years following the expiration or cancellation of this agreement, Contractor shall submit an annual written report to the Contract Manager disclosing the:

a. number of patents applied for on Subject Inventions;

b. number of patents issued on Subject Inventions;

c. number of patents abandoned on Subject Inventions; and

d. commercialization of Subject Inventions and patents. Where a United States patent has been issued covering a Subject Invention, a copy of the United States patent shall be provided with the annual written report. Upon the fifth (5) anniversary date of the

cancellation of this agreement, Contractor shall submit a written report to the Grant Manager summarizing all of the significant events itemized above that were not previously reported and shall summarize the Contractor's plans for commercializing all of the Subject Invention(s) and patent(s) for the next five (5) years.

7. Flow-Through Rights

a. The Contractor shall include this section, suitably modified to identify the parties, in all subcontracts, regardless of tier, for experimental, developmental, or research work. All such subcontracts, regardless of tier, shall indicate that the subcontractor shall be responsible for fulfilling the reporting requirements to the State.

b. In all subcontracts, at any tier, where paragraph a above applies, State, subcontractor, and Contractor agree that the mutual obligations of the parties created by this section (Section T, Patents) constitute an agreement between the subcontractor and the State with respect to those matters covered by this Section.

U. LIABILITY INSURANCE

1. Contractor shall furnish to the State a certificate of insurance stating that there is Comprehensive General Liability Insurance (CGL) presently in effect for the Contractor with a Combined Single Limit (CSL) of not less than five hundred thousand dollars ($500,000) per occurrence for bodily injury and property liability combined.

2. The Certificate of Insurance will provide:

   a. that the insurer will not cancel the insured's coverage without thirty (30) days' prior written notice to the State;

   b. that the State, its officers, agents, employees, and servants are included as additional insureds but only insofar as the operations under this contract are concerned; and,

   c. that the State will not be responsible for any premiums or assessments on the policy.

3. The Certificate of Insurance shall meet such additional standards as may be determined by the State, either independently or in consultation with the Department of General Services (DGS), Office of Insurance and Risk Management (OIRM), as essential for protection of the State.

4. The insurance will be issued by an insurance company acceptable to the DGS, OIRM or be provided through partial or total self-insurance acceptable to the DGS.

5. Contractor agrees that the CGL insurance herein provided for shall be in effect at all times during the term of this agreement. Contractor agrees to provide at least thirty (30) days' notice prior to said expiration date, a new certificate of insurance evidencing insurance coverage as provided for herein for not less than the remainder of the term of this contract, or for a period of not less than one year.

6. New Certificates of Insurance are subject to the approval of the DGS and Contractor agrees that no work or services shall be performed prior to the giving of such approval. In the event Contractor fails to keep in effect at all times insurance coverage as herein provided, the State may, in addition to any other remedies it may have, cancel this contract upon the occurrence of such event.

V. INCORPORATION OF REQUEST FOR PROPOSAL

The Request for Proposal is not attached hereto, but is expressly incorporated by reference into this agreement. In the event of conflict or inconsistency between the terms of this agreement and the Request For Proposal, this agreement shall be controlling.

W. INCORPORATION OF PROPOSAL OR BID

The Contractor's proposal or bid is not attached hereto, but is expressly incorporated by reference into this agreement. In the event of conflict or inconsistency between the terms of this agreement and the Contractor's proposal or bid, this agreement shall be controlling.

X. INCORPORATION OF EXHIBITS

Exhibits A through E are attached to this agreement and are expressly incorporated hereto and made a part of this agreement by reference. The exhibits consist of the following and are as presented in the RFP:

1. Exhibit-A Takeover Requirements, consisting of 11 pages.

2. Exhibit-B Scope of Work, consisting of 29 pages.

3. Exhibit-C Turnover Requirements, consisting of 4 pages.

4. Exhibit-D Department Responsibilities, consisting of 2 pages.

5. Exhibit-E Travel Allowances and Reimbursements, consisting of 2 pages.

Y. CHANGE ORDERS

The Contractor will make changes requested by the Department. In the case of mandated changes in policy, regulations, statutes, or judicial interpretation, the Department may direct the Contractor to immediately begin implementation of any change by issuing a Change Order. If the Department issues a Change Order, the Contractor will be obligated to implement the required changes while the parties negotiate in good faith relevant to any reimbursement, if applicable.

The Department may, at any time, within the general scope of the contract, by written notice, issue Change Orders to the Contract. This process will make use of the following documents:

Medi-Cal Managed Care Division (MMCD) Policy Letters - These documents will be utilized to notify the Contractor of clarifications made to the Health Care Options program. These documents will include instructions to the Contractor regarding implementation. These documents will also be used to initiate various ongoing changes required to the Contractor throughout the contract, the performance of which falls within the contract's agreed upon reimbursement.

Change Orders may also be used by the Department to amend the Contractor's responsibilities.

Z. HEALTH CARE OPTIONS

The parties recognize that during the life of the contract, the Health Care Options program will be a dynamic program requiring numerous changes to its operations and that the scope and complexity of changes will vary widely over the life of the Contract. The parties agree that the development of a system which has the capability to implement such changes in an orderly and timely manner is of considerable importance.

1. All obligations under this contract or Contract extension will be terminated after turnover requirements are completed.

2. With respect to any report, invoice, record, paper, document, books of account, or other contract required data submitted, pursuant to the requirements of this contract, the Contractor's representative or his designee will certify under penalty of perjury, that the report, invoice, record, paper, document, books of account or other contract required data is current, accurate, complete and in full compliance with legal and contractual requirements to the best of that individual's knowledge and belief, unless the requirement for such certification is expressly waived by the Department in writing.

AA. CONTRACTOR NAME CHANGE

Contractor shall provide a written notice to the State at least 30 days prior to any changes to the Contractor's current legal name.

BB. NOVATION

If the Contractor proposes any novation of this agreement, the State shall act upon the proposal within 60 days after receipt of the written proposal. The State may review and consider the proposal, consult and negotiate with the Contractor, and accept or reject all or part of the proposal. Acceptance or rejection may be made orally within the 60-day period, and confirmed in writing within five days.

ARTICLE III - DUTIES OF CONTRACTOR

A. RECORDS ESTABLISHMENT, ACCESS, AND RETENTION

1. The Contractor shall maintain such books and records necessary to disclose how the Contractor discharged its obligations under the contract. The books and records will disclose the quantity of services provided under this contract, the quality of those services, the manner and amount of payment made for those services, the manner in which the Contractor administered its daily business, and the cost thereof.

   Such books and records shall include, but are not limited to: all physical records originated or prepared pursuant to the performance under this contract, including working papers; reports submitted to the Department; Financial records; and other documentation pertaining to the services rendered.

   These books and records will be maintained for a minimum of five years from the termination date of this contract, or, in the event the Contractor has been duly notified that the Department, DHHS, or the Comptroller General of the United States, or their duly authorized representatives, have commenced an audit or investigation of the contract, until such time as the matter under audit or investigation has been resolved, whichever is later.

2. Contractor shall keep all books and records, accounts and documents pertaining to this agreement separate from other activities not related to this agreement. Said records shall be maintained in California.

B. ACCOUNTING AND AUDITING REQUIREMENTS

1. The Contractor's financial records and books of account shall be maintained on the accrual basis, in accordance with Generally Accepted Accounting Principles, which fully disclose the disposition of all Medi-Cal program funds received.

2. Upon inspection, Contractor shall promptly implement any corrective measures recommended by the State or Bureau of State Audits regarding the requirements of this section. Contractor shall be given a reasonable amount of time to implement said corrective measures. Failure of Contractor to implement recommended corrective measures shall result in immediate cancellation of this agreement.

3. Should an audit by the State or its authorized representatives, result in disallowance of funds previously reimbursed to Contractor, Contractor shall reimburse all disallowed funds to the State within Sixty (60) days of receipt of the demand for reimbursement by the State. Failure to reimburse the State will result in possible litigation, with the prevailing party entitled to reasonable attorney's fees and costs.

C. EQUIPMENT

1. Except as approved by the Department, Contractor shall not use State funds allocated under this agreement to purchase furniture and equipment. As used in this Section, "furniture and equipment" means an article of nonexpendable, tangible personal property having a useful life of at least one (1) year and a unit acquisition cost of at least five thousand dollars ($5,000). Purchase of equipment shall comply with the requirements of Article III, Section E, Purchase Orders and Subcontracting Provisions.

2. A property identification tag must be placed on all equipment purchased in whole or in part with State funds within thirty (30) days of cost reimbursement for such equipment. The property identification tag, as provided by the Contract Manager, identifies the item as the property of the State of California, Department of Health Services, and includes an identification number.

3. Within ninety (90) days of expiration or termination of this agreement, contractor shall provide the State with an equipment inventory list which identifies the type of equipment purchased in whole or in part with State funds, the unit acquisition cost and the property tag identification number.

4. Contractor is responsible for loss or damage to furniture or equipment purchased with State funds. Contractor is obligated to keep the furniture or equipment in good condition, subject to reasonable wear

and tear, and to make all necessary repairs and adjustment, without qualification, while the furniture or equipment is in the care, custody and control of the Contractor. The State reserves the right to be given full and adequate access to the furniture or equipment purchased with State funds at reasonable times.

5. Lost or stolen property must be reported to the Contract Manager. The report shall contain a description of the loss or theft, plans to prevent a reoccurrence, and, in the case

of theft, a copy of the police report.

6. The State shall retain an ownership interest in furniture or equipment purchased in whole or in part with State funds. In the event of expiration or cancellation of this agreement, such furniture or equipment shall be delivered to the State, unless:

   a. this agreement is renewed and the State agrees to the continued use of the furniture and/or equipment by the Contractor.

   b. the State releases its ownership interest in the furniture and equipment in accordance with State policy.

7. The Contractor is hereby notified that this process is discretionary and is subject to both State regulations concerning surplus property and signatory approvals by the Contract Manager and the Department of Health Services Chief of Administrative Services.

D. COMMUNICATION

1. The designated individual of the State, shall be the Contract Manager for this agreement. This person shall have overall responsibility to administer, evaluate and follow-up the work of the Contractor or consultant during the term of this agreement.

2. All official communication and invoices from the Contractor to the State, except as provided for in the section on Resolution of Disputes, shall be directed to the attention of the individual in subsection 1, above, or other designated individuals of the State at the following address:

   Department of Health Services
   Medi-Cal Managed Care Division
   Health Care Options Unit
   714 P Street, Room 1340
   Sacramento, CA 95814

3. All official communications from the State to the Contractor shall be directed to the attention of RUSS BELIVEAU or JERRY COKER, or other individual designated by the Contractor, at the following address:

   MAXIMUS
   1485 RIVER PARK DRIVE, SUITE 200
   SACRAMENTO, CA 95815
   (916) 567-6610

E. PURCHASE ORDERS AND SUBCONTRACTING PROVISIONS

1. Contractor is encouraged to take advantage of vendor discounts whenever possible and to utilize the services of small, minority, woman and disabled veteran-owned businesses when subcontracting for goods or services.

2. Contractor is the responsible authority, without recourse to the State, regarding the settlement and satisfaction of all contractual issues arising out of procurements entered into in support of this agreement.

3. The Contractor is entitled to make use of its own staff and such

subcontractors as are mutually acceptable to the Contractor and the State. All agreements between the Contractor and the subcontractor are subject to approval by the Contract Manager.

4. Contractor must obtain prior written approval from the State for any purchase order or subcontract over five thousand dollars ($5,000) to be paid for with State funds. Contractor shall include in its request for authorization, a copy of any subcontract and/or purchase order and all particulars necessary for the evaluation:

    a. the necessity of cost incurred;

    b. of the reasonableness of the cost; and

    c. that Contractor has either:

        (1) obtained three (3) competitive bids;

        (2) selected the subcontractor based upon the Contractor's contracting procedures used for awarding federally-funded subcontracts; or

        (3) has justified why three bids were not obtained.

5. All agreements with subcontractors shall contain all of the following provisions as are found in this contract:

    a. General Provisions

    b. Nondiscrimination Clause Compliance

6. Agreements with subcontractors which involve the expenditure of State funds in excess of ten thousand dollars ($10,000) shall contain all of the provisions found in this contract under Record Establishment, Access and Retention Under Article III, Section A.

7. Agreements with subcontractors, which include consultant services, shall contain all of the provisions of Article II, Section M, Consultant Services.

8. Printing and other reproduction work of more than an incidental amount must be arranged through the State Printer unless the State has obtained an exemption. Written approval must be obtained from the Contract Manager prior to undertaking such work.

F. STANDARDS OF WORK

The Contractor agrees that the performance of work and services pursuant to the requirements of this contract shall conform to high professional standards.

G. PROGRESS REPORTS OR MEETINGS

1. Contractor shall submit progress reports or attend meetings with state personnel at least once a month to allow the State to determine if Contractor is on the right track, whether the project is on schedule, provide communication to interim findings, and afford occasions for airing difficulties or special problems encountered so that remedies can be developed quickly.

2. At the conclusion of this contract, Contractor shall hold a final meeting with the State during which Contractor shall present its findings, conclusions, and recommendations. If required by this contract, Contractor shall submit a comprehensive final report.

H. STATE APPROVAL OF SUBCONTRACTS

The Contractor shall submit any subcontracts to the State for approval prior to implementation. Upon termination of any subcontract, the state shall be notified immediately.

I. CONFLICT OF INTEREST - CURRENT AND FORMER STATE EMPLOYEES

A. Current State Officers and Employees

1. Contractor shall not utilize in the performance of this contract any state officer or employee in the state civil service or other appointed state official unless the employment, activity, or enterprise is required as a condition of the officer or employee's regular state employment. Employee in the state civil service is defined to be any person legally holding a permanent or intermittent position in the state civil service.

2. If any state officer or employee is utilized or employed in the performance of this contract, Contractor shall first obtain written verification from the State that the employment, activity, or enterprise is required as a condition of the officer's, employee's, or official's regular state employment and shall keep said verification on file for three years after the termination of this contract.

3. Contractor may not accept occasional work from any currently employed state officer, employee, or official.

4. If Contractor accepts volunteer work from any currently employed state officer, employee, or official, Contractor may not reimburse, or otherwise pay or compensate, such person for expenses incurred, including, without limitation, travel expenses, per diem, or the like, in connection with volunteer work on behalf of the Contractor.

5. Contractor shall not employ any state officers, employees, or officials who are on paid or unpaid leave of absence from their regular state employment.

6. Contractor or anyone having a financial interest in this contract may not become a state officer, employee, or official during the term of this contract. Contractor shall notify each of its employees, and any other person having a financial interest in this contract that it is unlawful under Public Contract Code, Section 10410, for such person to become a state officer, employee, or official during the term of this contract unless any

relationship with the Contractor giving rise to a financial interest, as an employee or otherwise, is first terminated.

7. Occasional or one-time reimbursement of a state employee's travel expenses is not acceptable.

B. Former State Officers and Employees

1. Contractor shall not utilize in the performance of this contract any formerly employed person of any state agency or department that was employed under the state civil service, or otherwise appointed to serve in the state government, if that person was engaged in any negotiations, transactions, planning, arrangement, or any part of the decision-making process relevant to the contract while employed in any capacity by any state agency or department. This prohibition shall apply for a two-year period beginning on the date the person left state employment.

2. Contractor shall not utilize within 12 months from the date of separation of services, a former employee of the contracting state agency or department if that former employee was employed in a policy making position in the same general subject area as the proposed contract within the 12-month period prior to the employee leaving state service.

C. Failure to Comply with Subparts "A" or "B"

If Contractor violates any provision of subparts A or B above, such action by Contractor shall render this contract void, UNLESS the violation is TECHNICAL OR NONSUBSTANTIVE.

ARTICLE IV - TERM AND TERMINATION

A. TERM

The contract will become effective October 1, 1996 and will continue in full force and effect through September 30, 1999 subject to the provisions of Article V, Section A, because the State has currently appropriated and available for encumbrance only funds to cover costs through June 30, 1997.

B. CONTRACT EXTENSION

DHS will have the exclusive option to extend the term of this contract during the last twelve (12) months of the contract, as determined by the original termination date or by a new termination date if an extension option has been exercised. DHS may invoke up to two (2) separate extensions of one (1) year each. The Contractor will be given at least nine (9) months' prior written notice of DHS' decision on whether or not it will exercise this option to extend the contract.

The Contractor will notify DHS of its intent to accept or reject the extension within five (5) State working days of its receipt of the notice from DHS.

C. CANCELLATION AND AMENDMENT PROVISIONS

1. No oral understanding or variation of terms of this agreement is valid unless that understanding or variation has been made in writing and signed by all parties.

2. The Department may terminate performance of work under this contract in writing, in whole or in part, for any reason, whenever the Department determines that termination is in the best interest of the State, or full funding is not available for all of the project work outlined in Exhibit B, Scope of Work.

   Notification will be given at least sixty (60) days prior to the effective date of termination, except in cases where the Director determines the health and welfare of beneficiaries is jeopardized by continuation of the contract, in which case the contract will be immediately terminated. Notification will state the effective date of, and the reason for, the termination.

   Should the Department terminate the performance of work under this contract, payment will be made to the Contractor for any and all work completed under the terms of this

   contract, and approved by the Department, including withholds, up to and including the date of termination.

   Upon receipt of notice of termination for convenience, the Contractor will be paid termination costs in accordance with 48 Code of Federal Regulations (CFR) Section 31.205-42.

3. The Contractor may Default from this contract at any time for good cause as determined by the Department, by giving written notice to the Director of the Department. Such notice will be given at least sixty (60) days prior to the effective date of the default. Notification will state the effective date of, and the reason for the default. The Contractor will be responsible for all closing costs associated with default. Grounds under which a Contractor may default from the contract are limited to the inability to negotiate reimbursement for expanded duties as required by the Department and not identified in the contract.

D. DEPARTMENT TERMINATION

Pursuant to Article IV, Section B, Cancellation and Amendment Provisions, the Department has the option to void the contract under the 60 day

cancellation clause or to amend this contract to reflect any reduction of funds.

ARTICLE V - PAYMENT PROVISIONS

A. AMOUNTS PAYABLE

The maximum amount payable for the 1996-97 Fiscal Year ending June 30, 1997 will not exceed..................$48,200,000. Any requirement for performance by DHS and the Contractor for the period subsequent to June 30, 1997 will be dependent upon the availability of future appropriations by the Legislature for the purposes of this contract. If funds become available for the purposes of this contract from future appropriations by the Legislature, the maximum amount payable under this contract in the 1997-98 Fiscal Year ending June 30, 1998, will not exceed $30,720,000. If funds become available for the purposes of this contract from future appropriations by the Legislature, the maximum amount payable under this contract for the 1998-99 Fiscal Year ending June 30, 1999, will not exceed $30,720,000. The maximum amount payable under this Lee contract will not exceed $109,640,000.

B. COSTS REIMBURSABLE

Certain costs incurred by the Contractor in performing responsibilities under this contract will be cost reimbursed by the Department. They are as follows:

1. Postage

The Department will reimburse only the actual charges paid for U.S. Postal rates, common carrier rates and parcel services which includes folding, stuffing, and posting utilized to mail documents to beneficiaries, the Department, or to the Federal government and in any other mailings required by Exhibit B or by the Department upon request. All other costs associated with postage are excluded. The exception to this is for zip sorting, the direct costs paid to an outside mail sorting service, if approved by the Contract manager, in order to obtain pre-sorting postage services to reduce costs on cost reimbursable items.

2. Printing

Allowable printing costs refer to those direct costs incurred for the printing of: Enrollment/Disenrollment forms, informational packets, Department approved handouts, Department approved plan comparison charts, envelopes used for mailing and submission of letters and forms, manuals for the State and Health Care Financing Administration (HCFA); the printing of beneficiary notices, and additional

documentation requested by the Department. Reimbursement of printing costs associated with the production of these forms and documents will be made by the Department.

The Department will cost reimburse the Contractor for the personnel time needed to edit the informational packets and manuals as requested by the Department.

The costs incurred except that cost reimbursable purchases and subcontracts associated with allowable printing costs will be reimbursed as provided in Section B.

3. Special Training Sessions

At the direction of the Contract Manager, the Contractor will be required to conduct special training sessions as discussed in Exhibit B, Section D.2. The Department will reimburse the Contractor for the

direct cost of training. Travel will be reimbursed at the State rate.

4. Data Center Access

The implementation of the Health Care Options (HCO) access to Medi-Cal Eligibility Data System (MEDS) will require the Contractor to establish an agreement with the Health and Welfare Data Center (HWDC) for computer access to records contained in MEDs and possibly Fiscal Intermediary Access to Medi-Cal Eligibility (FAME). The Department will reimburse only the actual charges incurred by the Contractor for access to these records, as billed by HWDC, including telecommunication line charges to utilize MEDS or other eligibility system. No other costs will be reimbursed.

5. Expenses Related to Expansion Activities

The reimbursement of costs incurred in carrying out expansion activities shall be negotiated in good faith by the parties. These costs may include, but are not limited to, additional facilities, equipment, staff, supplies and systems.

6. Office Equipment and Furniture

The Department will reimburse those costs incurred by the Contractor for equipment, and furniture necessary to perform HCO presentations, at County and other governmental/non- governmental sites. Such equipment and furniture will be purchased only after attempts have been made to acquire the necessary equipment and furniture through other means, and

only after receiving prior Department approval and in accordance with Article III, Section C, Equipment.

7. Facilities

If space is not available at County sites, the Department may determine that it is necessary to conduct HCO presentations at non-governmental locations. In that case, the Department will assist the Contractor in identifying appropriate facilities, and reimburse any lease or rental payments. The facilities identified above do not include the Contractor's processing facilities or any other facility not directly acquired for conducting HCO presentations. All facilities and lease/rental agreements must be approved by the Department.

It is the intention of the Department to have Departmental staff located at the Contractor's processing facility. The anticipated number of staff will be 1-3 persons. Contractor will make available, space and equipment for Department staff use at the processing facility. All equipment and furniture for Department staff will be cost reimbursed with the exception of space.

8. Ad Hoc Reports

The Department will reimburse the Contractor for time spent researching and preparing any Ad Hoc Reports requested by the Department. This does not include monthly reports required under the Scope of Work, Exhibit B.

9. Travel

Travel expenditures necessary to maintain staffing at fixed and outreach sites, as directed by the Department, will be the responsibility of the Department, and will be cost reimbursed at the State rate following guidelines set forth in Exhibit E. Travel expenditures will be submitted in accordance with staffing and travel plans provided to and approved by the Contract Manager.

10. Special Projects and Requests

The Department will reimburse the Contractor for time and expenses incurred completing any special projects requested by the Department,

and not included in the scope of work as described in Exhibit B.

11. Restrictions on Reimbursable Purchases and Subcontracts

Payment to the Contractor for subcontracts or purchases of cost reimbursable items or services will be at actual cost to the Contractor. Such actual cost will consist of the amount charged to the Contractor for the subcontract or purchase. If the lease or purchase is from a related entity, payment will be made at the product price. For only printing, the Contractor will also be paid the other direct costs associated with subcontracts or purchases.

Under no circumstances will the Department reimburse indirect costs associated with a subcontractor or purchase of reimbursable items, services or equipment. This prohibition includes attempts to charge the Department for overhead and general and administrative expenses as a percentage of a third party's charges to the Contractor.

C. PAYMENT IN FULL

The payments discussed in this Article constitute payment in full by the Department for all direct and indirect costs incurred under this contract.

D. CONTRACTOR PAYMENT AND EXPENDITURE PROVISIONS

1. In no event shall the Contractor request reimbursement from the State for obligations entered into or for costs incurred prior to the commencement date, or the date of final approval, whichever occurs later, or after the expiration or cancellation of this agreement.

2. Contractor will submit all invoices after completion of required work. Invoices will be submitted in arrears by the tenth (1Oth) working day of the month following the month of service. The invoice shall be in triplicate and shall be consistent with the amounts in Article VI, Section C. Requests for reimbursement shall be substantiated by copies of vendor invoices, time sheets and any other related source documents. The Contract Manager may require the submittal of any and all supporting documentation prior to approving invoices for payment. Each invoice shall contain at least:

   a. the contract number and project title;

   b. the time period which the invoiced costs were incurred;

   c. a statement to the effect that all costs invoiced are eligible expenses under this agreement and are supported by proper documentation.

   d. the signature of an authorized representative of the Contractor.

At the request of the Contract Manager, invoices shall be county specific.

3. In preparing monthly invoices for services provided under this contract, the Contractor will bill the state as follows:

   a. For Enrollment/Disenrollment transactions as described in the RFP, $1.70 for each transaction when the total volume per month is 0 to 150,000; $0.00 for each transaction over 150,000 and under 170,001; $0.37 for each transaction over 170,000.

   b. For Beneficiary Direct Assistance as described in the RFP, $0.84 per minute for total monthly minutes under 130,000; $0.00 per minute for each monthly minute over 130,000 and under 160,001; $0.70 for each monthly minute over 160,000.

   c. For each Enrollment Service Representative as described in the RFP, $5,500.00 per FTE per month when the number of FTE's is less

than 36; $3,700.00 for each monthly FTE which exceeds 35 but is less than 61; $3,800.00 for each monthly FTE which exceeds 60.

4. The State agrees to make payment as promptly as fiscal procedures permit, upon receipt of the invoices, subject to approval of the Contract Manager, and contingent upon satisfactory completion of the terms of this agreement. The Contract Manager is designated in Article III, Section D, Communication.

5. "Satisfactory Completion" as used in this agreement, means that Contractor has completed all terms, conditions and performance of this agreement for the elapsed portion of the agreement, including but not limited to:

   a. Exhibit A - Takeover Requirements
      Exhibit B - Scope of Work, and
      Exhibit C - Turnover Requirements; and

   b. submittal to the Contract Manager of:

      (1) all reports required in this contract; and

      (2) invoice(s), with required documentation.

6. The invoice containing the final costs to be paid by the State shall be identified as the "final invoice". The final invoice shall be delivered to the State not more than thirty (30) calendar days after the expiration or cancellation of this agreement.

7. The Department will withhold 10% of each invoice until the satisfactory completion of this contract.

8. All payments received under this agreement shall be used solely for the purpose of providing goods or services under this agreement. The State shall have final determination of allowable and reimbursable costs under this agreement. The State may require documentation substantiating expenses as deemed appropriate by the Contract Manager.

E. MISCELLANEOUS PAYMENT PROVISIONS

1. Travel, subsistence and per diem rates shall not exceed those amounts paid to State employees as specified in Exhibit F, Travel Allowances and reimbursements. No reimbursement for travel outside the State of California shall be allowed without prior written approval by the Contract Manager.

2. Funds budgeted under this contract may not be used for entertainment expenses, or for professional dues for the Contractor's staff or officials.

3. Contractor shall not use State funds allocated under this agreement to pay for the purchase, construction, renovation, alteration, improvement, or repair of capital assets, such as real estate and vehicles.

F. CONTRACT CLOSE-OUT

1. This agreement requires the Contractor to submit to the State invoices, reports, close-out information and other information at specified times during the term and following expiration or cancellation of the agreement. Failure to complete any of these requirements to the satisfaction of the State is a violation of this agreement and, as in any violation, the State may take appropriate action, including the withholding of payment of invoices pursuant to this Section.

2. If Contractor fails to provide the information specified by this Section within sixty (60) calendar days after the expiration or cancellation of this agreement, the State, in

addition to any other available action to remedy, may deny any unpaid invoice(s) and the Contractor shall forfeit reimbursement of any costs incurred and not reimbursed.

G. CONTRACTS IN EXCESS OF $200,000

The Contractor shall give priority consideration in filling vacancies in positions funded by the agreement to qualified recipients of aid under Welfare and Institutions Code, Chapter 2, commencing with Section 11200 in accordance with Welfare and Institutions Code, Article 3.9, commencing with Section 11349 (Public Contract Code, Section 10353).

H. CONTRACTS FUNDED IN WHOLE OR IN PART BY THE FEDERAL GOVERNMENT

1. It is mutually understood between the parties that this contract may have been written before ascertaining the availability of congressional appropriation of funds, for the mutual benefit of both parties, in order to avoid program and fiscal delays which would occur if the contract were executed after that determination was made.

2. This contract is valid and enforceable only if sufficient funds are made available to the State by the United States Government for the Fiscal Year 1996-97 for the purpose of this program. In addition, this contract is subject to any additional restrictions, limitations, or conditions enacted by Congress or any statute enacted by the Congress which may affect the provisions, terms or funding of this contract in any manner.

3. It is mutually agreed that if the Congress does not appropriate sufficient funds for the program, this contract will be amended to reflect any reduction in funds.

ARTICLE VI - CONFIDENTIALITY

A. Notwithstanding any other provisions of this Contract, names of persons receiving public social services are confidential and are to be protected from unauthorized disclosure in accordance with Title 42, CFR, Section 431.300 et seq., and Section 14000.2, Welfare and Institutions Code, and regulations adopted thereunder. For purposes of this contract, all information, records, data and date elements collected and maintained for the operation of the contract and pertaining to Members shall be protected by the Contractor from unauthorized disclosure.

B. With respect to any identifiable information concerning a Beneficiary under this contract that is obtained by the Contractor or its subcontractors, the Contractor (a) shall not use any such information for any purpose other than carrying out the express terms of this contract, (b) shall promptly transmit to the Department all requests for disclosure of such information, (c) shall not disclose except as otherwise specifically permitted by this contract any such information to any party other than the Department without the Department's prior written authorization specifying that the information is releasable under Title 42, CFR, Section 431.300, Welfare and Institutions Code Section 14100.2, and regulations adopted thereunder, and (d) shall, at the expiration or cancellation of this contract, return all information to the Department or maintain such information according to written procedures sent to the Contractor by the Department for this purpose.

EXHIBIT A - TAKEOVER REQUIREMENTS

The Contractor is required to take over the operation of the current HCO Program according to the requirements of this HCO Request for Proposal (RFP).

A. Takeover Consideration

The Department requires an orderly Takeover that is as transparent as possible to County Welfare Directors (CWDs), Aid to Families With Dependent

Children (AFDC) and Medi-Cal applicants and beneficiaries, and Medi-Cal managed care plans in each of the counties designated by the Department. The Contractor will take all actions required to prepare for operations, including the identification and rapid resolution of Takeover problems.

Major considerations during Takeover include:

1. The Contractor will have primary responsibility for all technical processes and products required for the HCO Program implementation.

2. The Contractor will incorporate the appropriate activities and tasks needed to complete the Proposer Initiated Innovations which have been approved by the Department.

3. The Contractor will develop and submit to the Department, for written approval, all policies, procedures, and manuals by the date identified on the Takeover Phase Schedule.

4. The Contractor will complete all Takeover tasks and activities within the timeframes established by the Department as specified on the Takeover Phase Schedule.

5. The Contractor will submit to the Department's HCO Contract Manager, a Takeover Manual which includes all sections and subsections as described in this Takeover Section.

B. Takeover Phase Schedule

Following is the Takeover Phase Schedule. The purpose of the Takeover Phase Schedule is to list the timeframes from the HCO Contract effective date for the Contractor for major deliverables and milestones. Compliance with this schedule is mandatory. The Contractor may submit deliverables earlier or later than the scheduled date if approved, in writing, by the Department.

Milestone	Due Date
Submit Takeover Manual	1 Day
Assemble Interim Management Team	1 Day
Designate Contract Representative	1 Day
Submit Facilities Section	1 Day
Occupy Temporary Facility - Sacramento	1 Day
Takeover Task Plan	1 Week
Takeover Timeline	1 Week
First Weekly Progress Report Due	1 Week
Submit Names & Resumes of Interim Mgmt Team	2 Weeks
Submit Direct Assistance Section	2 Weeks
Submit MEDS Section	3 Weeks
Submit Names & Resumes of Operations Team	4 Weeks
Organizational & Personnel Acquisition Plan	4 Weeks
Operations Training Plan	4 Weeks
Submit Equipment Section	4 Weeks
Department Defines Size of Toll-Free System	4 Weeks
Submit Training Plan to Department	4 Weeks
Submit Forms to State for Approval	4 Weeks
Submit Enrollment/Disenrollment Section	4 Weeks
Implement Security & Confidentiality Reqs.	4 Weeks
Occupy Permanent Facility - Sacramento	4 Weeks
Begin Process Testing	4 Weeks
Assemble Operations Management Team	6 Weeks
Prepared to Begin Direct Assistance Requirement	6 Weeks
Submit Security & Confidentiality Section	8 Weeks
Submit Records Retention Section	8 Weeks
Personnel Hired	8 Weeks
Implement Enrollment/Disenrollment Req.	8 Weeks
Prepared to Start Toll-Free Telephone Services	8 Weeks
Printing and Reproduction Due Date	8 Weeks
Policy and Procedure Section	8 Weeks
Conduct Training to New Staff	8 Weeks
Able to Submit Forms for Reproduction	8 Weeks
Submit Report Distribution List	8 Weeks
Scheduled Walk Through Date	10 Weeks
Able to Submit Proof of Forms	10 Weeks
Update Organization Chart	10 Weeks
Implement Records Retention Requirements	12 Weeks
Takeover Completion	12 Weeks

C. Takeover Timeline

The Contractor will submit a Takeover Timeline along with the Takeover Task Plan within one week from the HCO Contract effective date. The Takeover Timeline will include each Takeover deliverable and milestones included in the Takeover Task Plan. It will depict the estimated start date and the deliverable due date for each task.

D. Contractor Transition

The Contractor will prepare and submit to the Department a Takeover Manual within one day of the Contract effective day. The Takeover manual will document the progress of the Contractor during the Takeover period. Throughout the Takeover period deliverables and revisions to existing sections and subsections will be submitted to the Department for insertion into the Takeover Manual. This manual will include a section or subsection for all deliverables and activities as required in the Takeover Section of this RFP. The Takeover Manual will be submitted in a standard size 3-ring binder. All updates and deliverables will be submitted to the Department with replacement page instructions for each attached deliverable to be inserted in the Takeover Manual. The Contractor is not limited to a maximum number of binders for the Takeover Manual.

E. Contractor Responsibilities

This sub-section provides the outline of the tasks the Contractor is required to complete during Takeover. Each of these tasks will result in milestones and deliverables to the Department and will be included in the Contractor's Takeover Task Plan.

F. Takeover Task Plant

The objective of the Takeover Task Plan is to specify, in detail, the Contractor's activities for the duration of the Takeover period. This includes, but is not limited to, the Contractor's tasks and activities required to implement the requirements of this RFP and assume the former Contractor responsibilities (if applicable). This Task Plan will describe the Contractor's overall plan for undertaking and completing each task and activity associated with the Takeover phase, as listed on the Takeover Phase Schedule. The Contractor will submit the Takeover Task Plan Manual to the Department. The Takeover Task Plan shall be submitted in an organized format, to be developed by the Contractor and evaluated by the Department on a pass or fail basis as part of the evaluation phase of this procurement.

The Takeover Task Plan will include, at a minimum, the following

items:

1. Milestone/task name;

2. Task description;

3. Deliverable due date;

4. Contractor's primary staff assigned to task;

5. Estimated start date;

6. Estimated hours for Task Completion;

7. Takeover Time Table.

G. Weekly Progress Reporting

Weekly Takeover Status (WTS) Report will include all deliverables and tasks, the status of all deliverables and tasks and State approval dates, and will be used by the Contractor and the Department in gauging or measuring the Contractor's progress during the Takeover Phase, especially as compared to the Takeover Plan.

The WTS Report will be furnished to the Department weekly and will be current through Friday of each week. The Contractor will deliver the Weekly

Takeover Status Report to the State by the close of business each Thursday of the following week. The first WTS Report is due to the Department within one week from the HCO Contract effective date.

If required by the HCO Contract Manager, the WTS Report will be submitted not only on hard copy, but also on electronic or magnetic medium in the format prescribed by the Contract Manager. Two copies, in each specified medium, will be furnished to the Department. The WTS Report shall be submitted in an organized format, to be developed by the Contractor and approved by the Department.

The WTS report will, at a minimum, contain the following information:

1. Task Number. This will be the Task Number the Contractor has assigned the deliverable or activity.

2. Description. Brief description of the task.

3. Scheduled Due Date. This will be the scheduled due date as originally provided in the Takeover Task Plan.

4. Date Delivered. Actual date deliverable was delivered to the Department for review and approval.

5. Days Late/Early. The number of days the deliverable was delivered either late (- days) or early (+ days).

6. State Review and Approval Date. The date a letter approving, disapproving or pending the deliverable is received from the Department.

7. Status. Approved, disapproved or pending.

8. Date Approved, Disapproved, Pending. The date the Department either approved, disapproved, or left pending the Deliverable.

9. Final Approval Date. The date the deliverable was approved by the Department.

10. Resubmission Due Date. If disapproved or left pending, this field will reflect the new due date set as ten (10) State working days from the date of the disapproval or left pending status, as dated by the Department.

11. Date Resubmitted.

12. Days Late/Early. Same definition as item E. above, but relative to item J. above (the new due date).

13. State Review and Approval Date.

14. Resubmission Status.

15. Date Approved, Disapproved, or Left Pending. The date the Department approved, disapproved, or left pending the Resubmitted deliverable.

16. Days Late/Early.

17. Remarks. Free-form comment space.

18. Activity Summary. This item will identify those items needing discussion, action, or which are of concern, as indicated in the remarks column, for the next Weekly Takeover Status Report.

H. Assemble Management Team

1. The Contractor will assemble an Interim Management Team as part of Takeover. The Interim Management Team will be

employed by the Contractor at the beginning of Takeover. By two weeks from the HCO Contract effective date, the Contractor will submit the names, resumes, positions, reporting relationships, and functional

responsibilities of the Interim Management Team. The Contractor must attest to the Department, in writing, that all required functions for Takeover will be accomplished under the auspices of this Interim Management Team.

No later than four weeks from the HCO Contract effective date, the Contractor will submit to the Department for review and approval the composition, names and resumes of the permanent Management Team for Operations. The Management Team for Operations will meet all requirements of Section 18 of the RFP- Contract Requirements, including qualifications, and will be in place no later than six weeks from the HCO Contract effective date.

Should the Contractor wish to propose alternatives to the structure of the permanent Management Team for Operations, any such proposal will be delivered to the Department at least 60 days prior to such alteration's anticipated implementation, and approved by the Department, in writing, at least 30 days prior to implementation.

2. One individual will be designated by the Contractor as the Takeover Manager. Responsibilities of this person will include ongoing management of the Takeover period. This manager will be fully qualified to oversee all Takeover activities.

I. Training

The Contractor will develop materials and courses to provide training. This training will include an overview of the HCO Contract requirements and will be provided to both Contractor and State staff. The Contractor will develop any needed training to ensure successful Takeover, as well as develop and internally distribute, staff training materials as needed. The Contractor will schedule and execute all training scheduled for the Takeover Phase in such a manner as to fully support Takeover tasks and activities and to ensure full preparedness for the performance of all Contractor responsibilities, including, but not limited to, those specified in the Exhibit B - Scope of Work.

1. The Contractor will deliver to the Department for review and approval, within four weeks from the HCO Contract effective date, an Operations Training Plan. The Operations Training Section of the Takeover Manual will include course outlines and schedules for both the Takeover Phase and all on-going

courses in the major operational areas to take place during the Operations Phase of the HCO Contract. The Contractor will provide a schedule and location of all refresher and on-going training courses.

J. Takeover Organization and Personnel Acquisition

The Contractor will update and submit the Organizational and Personnel Acquisition Plan Section within four weeks from the HCO Contract effective date.

K. Personnel Acquisition

The Personnel Acquisition sub-section will describe the method of recruitment and selection of staff required to prepare the Contractor for full and on-going operation of the HCO Program. In addition to a narrative discussion, the Personnel Acquisition sub-section of the Manual will include the following information:

1. A chart showing the number of staff to be hired or transferred from previous Contractor by month and classification (hired is defined in this Section as staff having reported to work);

2. An explanation, including specific actions to be taken, of how the Contractor will assure the Department that sufficiently experienced and trained personnel are available to support all Operations functions without interruption of services to the beneficiaries.

3. A description of alternative actions or contingency plans if the Contractor is unable to recruit sufficient numbers of adequately trained staff for each functional, operational area on a timely basis or if the Contractor's original operational staffing estimates are too low;

   a. A plan for hiring or transferring all specialized trained/experienced staff, as prescribed in the HCQ Contract.

L. Organizational Structure

The Organizational Structure sub-section of the Contractor's Organization and Personnel Acquisition Plan Section will provide a complete and detailed description of the organizational structure to be used by the Contractor.

Additionally, the Organizational Structure sub-section will include the following:

1. Organization charts and descriptions showing the location of the HCO Program in the Contractor's firm, and organization charts and descriptions for all HCO operational areas. The functional responsibilities of each organizational unit, the delegation of responsibilities to each HCO Program organizational unit, organization decision-making relationships, and unit staffing by classification will be provided, in addition to those items specified above, for a comprehensive identification of overall staffing for HCO Program Operations.

2. Complete job descriptions (specifications) for all classifications used for senior Managements including job title, functional responsibilities, and experience requirements.

M. Schedule Execution and Reporting

1. The personnel function is to be established and all hiring completed to meet all duties and responsibilities as prescribed in the HCO Program Contract within eight weeks from the HCO Contract effective date and as reflected in the Contractor's updated Organization and Personnel Acquisition Section of the Takeover Phase Manual.

2. The Contractor will include the status of hiring and other Takeover milestones and deliverables as issues reported in the Weekly Takeover Status Report, or when requested by the Contract Manager.

3. The Contractor will provide to the Department, when and if the Contractor proposes organizational structure changes during the Takeover Phase, updates to the Organizational Structure Section of its Organization and Staffing Manual for Operations. These updates will be provided to the Department five (5) days prior to such proposed change(s).

N. Facilities Acquisition and Installation

O. New Facilities

The Contractor will deliver the Facilities Section to the Department within one day from the HCO Contract effective date, showing the planned usage of space for the Contractor's operation of the HCO Program, and provision of space for all equipment.

The Facility Section will include narrative descriptions, supporting documentation, and an installation schedule for the HCO Program Contract. The Manual will provide information that includes, but is not limited to:

1. The extent to which the Contractor's site(s) is/are currently under lease or ownership or planned to be leased or bought. If the site(s) is/are currently under lease or ownership, the Contractor will, at a minimum, provide a guaranteed option on the facility(ies) including the name, address and telephone number of the leasing or selling agent for contact by the Department. The Contractor will describe facilities it currently has in Sacramento for use in the HCO Program Contract and what facility space, and for what functions, it must obtain and/or finalize development.

2. A description of the modifications which must be made to the Sacramento facility(ies), a schedule for completing those modifications, and the actions taken by the Contractor to ensure that this schedule is met.

3. Certification that the Contractor has verified that electrical,

telecommunications, and phone services(s) can be provided by the Contractor facility(ies).

4. Allocated space by function.

5. Accessibility to on-site operations.

6. Access to telephone, and electrical power necessary to be utilized by the Contractor.

7. Available parking, including State visitor and Disabled Parking spaces.

P. Permanent Facilities Installation

The Contractor will obtain a permanent facility within a 25-mile radius of the State Capitol Building to operate the HCO Program, as specified in RFP Section 12.0, E, Proposer Qualifications. The permanent facility will be completely operable within four weeks from the HCO Contract effective date. Until this facility is installed, HCO Takeover activities, including testing and staff training, will take place within 25 miles of the State Capitol unless arrangements have been made with the HCO Contract Manager.

All Departmental liaison and planning activities will take place in Sacramento, unless otherwise agreed to by the Contractor and HCO Contract Manager.

Q. Existing Sites

The Contractor will include in the Facilities Section the Takeover process of existing HCO Program sites utilized by the

former Contractor (if applicable) and/or County Welfare Departments.

The Contractor will include in the Facilities Section a description of all existing sites and scheduled dates of Takeover (For the locations of existing sites, see Exhibit 9). These activities will be included in the Weekly Takeover Work Schedule.

R. Equipment Acquisition and Installation

The Contractor will develop and deliver the Equipment Section of the Takeover Manual within four weeks from the HCO Contract effective date. This section will describe the on-site and off-site equipment configuration required to support the HCO Contract. The manual will describe, but is not limited to, all processing and telecommunication equipment, and any other equipment necessary to support the HCO Program. The manual, at a minimum, will describe:

1. A schematic showing all equipment and communications networks.

2. All equipment, including quantity, model number, and capacity to support the HCO Program.

S. MEDS

The Contractor will develop and deliver the MEDS Section of the Takeover Manual within three weeks from the HCO Contract effective date. The MEDS Section will detail the process to be used to install, and process MEDS information as provided by the Department. This includes, but is not limited to, receiving MEDS download tapes and providing MEDS updates in a format prescribed by the Department, in order to process enrollment and disenrollment transactions.

T. Toll-Free Telephone Services

The Contractor will include in the Takeover Manual a section which details the process for implementing the Direct Assistance requirements within two weeks from the HCO Contract effective date. The Contractor will be prepared to implement the Customer Assistance toll-free telephone service capabilities, as directed by the Department, within eight weeks from the HCO Contract effective date. The Direct Assistance telephone capabilities include, but are not limited to, toll-free telephone number(s), adequate number of customer service representatives to respond to conversion and ongoing operational requirements, language capabilities, timely complaint resolution, providing specified information to beneficiaries and applicants, and procedures for

responding to beneficiary and applicant inquiries.

U. Translation Services

The Contractor will include in the Direct Assistance Section of the Takeover Manual the process for ensuring that translation services, in those languages as specified by the Department, are available by the Direct Assistance implementation date.

V. Printing and Publications

As directed by the Department, the Contractor will perform or arrange to have performed the requested printing and reproduction within eight weeks from the HCO Contract effective date. W. Forms

The Contractor will ensure that all forms and documents are in the format, language, and literacy level specified and approved by the Department. The Contractor will not submit any forms or documents developed by the Contractor for printing or reproduction until the final format has been reviewed and approved by the Department.

X. Policy and Procedures Development

The Contractor will develop and submit to the Department a Policy and Procedures Section of the Takeover Manual. The Procedure Section will contain the detailed processes and procedures for all duties, tasks, and functions described in this RFP. These sub-sections are to be delivered to the Department within eight weeks from the HCO Contract effective date. This will include, but is not limited to, the following sub-sections:

1. Scheduling Presentations

2. Security and Confidentiality

3. Monitoring 4. County Performance

5. Assignments

6. Disenrollments

7. Records Retention

8. Communication

9. Direct Assistance

10. Customer Assistance

11. Problem Resolution

12. Ombudsman

EXHIBIT B SCOPE OF WORK

The Contractor will conduct a program for providing accurate, complete and current information to persons applying to establish eligibility for AFDC or Medi-Cal and for existing Medi-Cal beneficiaries, as directed by the Department, regarding their options for obtaining Medi-Cal services through enrollment in health care plans or FFS MediCal. The Contractor must provide information on health care plans that provide services in the geographic areas where the person resides. Information provided will include whether the health plan has available capacity and can accommodate the person's primary language. Please refer to Section 3.7, "Primary Languages For Eligible Beneficiaries By County", for

language needs.

The Contractor will emphasize the benefits and limitations of increased access to health care services through health care plans and encourage enrollment and provide enrollment assistance in those plans.

The Contractor will be responsible for enrolling and disenrolling beneficiaries into and out of managed care plans.

The Contractor will implement the HCO program in a timely and uniform manner in those counties which will require an HCO program due to new or existing managed care plans operating in those counties, and any future counties as designated by the Department. Please see Section 1.3, "HCO Expansion Activities", Section 1.6, "Existing MediCal Managed Care Arrangements", and 1.7, "Special Project Activities" of the RFP for a list of the counties requiring an HCO program at this time.

The Department will provide the Contractor with data files via a direct data communications link connected to the State's Host computer. The Contractor must have the capability to transmit and retrieve data files through this mechanism in a format to be determined by the Department. The Contractor must also have the capability to evaluate the data received by the Department and identify changes in a recipients qualifications for managed care plan enrollment, and take appropriate action. At a minimum, the Department will provide the Contractor with the following files to assist in processing enrollment and disenrollment transactions:

HCO New Eligibles File - Daily files which contain new eligibles who have been designated as potential candidates for managed care enrollment in a HCO county. This file contains information required for the Contractor to determine a Medi-Cal recipient's eligibility for participation in a managed care plan. This file can also be used to transmit enrollment and/or disenrollment

transactions to the State Host computer.

HCO Transaction Error Log - Daily files which provide the Contractor with the status of each enrollment or disenrollment transaction applied to the MEDS record of a Medi-Cal recipient or managed care plan enrollee in a HCO county. This file contains information required for the Contractor to identify and correct errors, and generate appropriate recipient confirmation mailings.

Quarterly Reconciliation File - A quarterly file which will provide the Contractor with the current eligibility status of each Medi-Cal recipient who meets the enrollment criteria in an HCO county. This file contains information that will allow the Contractor to synchronize its recipient eligibility files with MEDS.

Changes in policy may constitute the creation of new files or changes to existing files. The Contractor will be required to modify procedures in an efficient and timely manner, to accommodate these changes.

The Contractor must also be willing to implement a Dental Managed Care program with similar scope of work requirements as described in this section and be willing to enter into good faith negotiations for reimbursement of this work.

In implementing the HCO program, the Contractor is required, at a minimum, to do the following:

A. Preparation For HCO Presentations

1. The Contractor will make all arrangements necessary to implement the HCO program. These arrangements will include, but will not be limited to:

    a. Work with the Department in the coordination of a space and facilities plan, in a County and/or other approved public or non-public facilities, for group HCO presentations to applicants and beneficiaries in the mandatory aid codes adapted to each CWDs intake application and redetermination operation.

    b. Schedule group or individual HCO presentations at regular intervals and at various locations to allow the applicants/beneficiaries access during the eligibility determination process.

    c. In cooperation with the Department, develop necessary forms and procedures for the CWDs referral to and documentation of,

applicants and beneficiaries

attendance at the HCO presentations.

1. The Contractor will submit all proposed procedures and written materials for use at the HCO presentations, to the Department for review and approval at least 60 working days prior to their proposed implementation and distribution, unless otherwise directed by the Department.

d. Identify and monitor those applicants and beneficiaries who are required to attend the HCO presentations.

e. Coordinate access to MEDS terminals for the Contractor's management and other approved personnel.

f. Develop written procedures for researching County MEDS input conflicts and communicate the results of the research to the appropriate County staff for correction.

g. Furnish desks, chairs, and access to telephone outlets for telephones, facsimile equipment and computer modems for use by Contractor's personnel, in County or other approved public or non-public facilities where HCO presentations will occur. (The equipment stated here is only a suggestion). Space size and availability may vary at County sites where presentations will occur.

h. Furnish all necessary resources for effective presentations which include, but are not limited to, office supplies, audio-visual equipment and visual aids.

i. Hire and train staff, monitor and record staff performance.

2. The Contractor will establish and maintain a system of communication between Contractor, Contractor's staff, County personnel, Medi-Cal managed care plans and the Department to assure timely receipt of eligibility information from MEDS to identify eligible beneficiaries, timely referral of applicants/beneficiaries to HCO presentations, timely processing of enrollments/disenrollments, timely updating of MEDS, a smooth transition to the selected managed care plan from FFS Medi-Cal and the negotiation of space in County offices. The Department will assume lead responsibilities for this function.

B. HCO Presentation

1. The Contractor must provide presentations according to the Departments specifications.

The HCO presentation will include, but will not be limited to:

a. Information designed to help beneficiaries/applicants understand how to complete a enrollment form and to assist applicants/beneficiaries with completion of a enrollment form. See Exhibit 8, Enrollment Forms.

b. Alternatives for beneficiaries/applicants to receive Medi-Cal benefits, with an emphasis on the managed care method.

c. A description of the services covered under the Medi- Cal program.

d. A description of all available managed care plans in areas where applicants/beneficiaries reside.

e. The zip codes served by each managed care plan in each County.

f. Information in response to managed care plan related questions which arise during the HCO presentation from applicants/beneficiaries.

g. Distribution of Department approved health care plan- related

marketing materials (e.g., brochures, pamphlets, etc.) received from the plans.

h. A description of the beneficiaries enrollment/disenrollment rights.

2. The Contractor will document the attendance of all applicants and beneficiaries at the HCO presentation.

3. The Contractor, as directed by the Department, will provide at a minimum, linguistic services to a population group of mandatory Medi-Cal eligibles residing in the proposed service area who indicate their primary language as other than English and who meet a numeric threshold of 3,000, or a population group of mandatory Medi-Cal eligibles residing in the proposed service area who indicate their primary language as other than English and who meet the concentration standards of 1,000 in a single zip code or 1,500 in two contiguous zip codes.

4. The Contractor will ensure non or limited-English speaking applicants and beneficiaries understand their options and rights. These measures will include, but not be limited to:

   a. Staffing:

      1. The Contractor will assess, identify and report the linguistic capability of interpreters or bilingual employed staff.

      2. Employ or contract with translators or interpreters who are fluent in English and other languages to meet the linguistic needs of applicants and beneficiaries.

      3. Personnel with a knowledge of the ethnic, cultural, social and economic compositions of each County's applicant/beneficiary population. Please refer to Section 3.6, "Ethnic Grouping of Eligible Beneficiaries By County".

      4. Consider employing or contracting with qualified, former AFDC recipients or Medi-Cal beneficiaries, individuals who possess Medi-Cal eligibility background/experience and community based organizations.

   b. Produce written materials and/or media (e.g., videos/tapes) which will be made available to assist non-English and limited-English speaking beneficiaries as specified in Exhibit B and as directed by the Department.

   c. Produce enrollment/disenrollment forms to assist limited/non-English speaking beneficiaries as specified in Exhibit B and as directed by the Department.

   "See Section 3.7 of the RFP, "Primary Languages of Eligible Beneficiaries By County".

5. The Contractor will assign personnel to conduct HCO presentations, at each site, to inform applicants/beneficiaries of their options of receiving MediCal benefits according to standards developed by the Department.

   Contractor's Staff must provide presentations according to County intake schedules, policies and procedures and/or arrangements agreed to between the Contractor and the

   County. The Contractor will consider space and geographic limitations to determine the most cost effective methods to provide presentations to the maximum number of beneficiaries. Contractor will monitor default assignment rates for acceptable levels as determined by the Department.

6. The Contractor will ensure that back-up personnel is provided in the event of employee absence to ensure that there is no disruption in HCO

presentations.

7. The Contractor must consistently and effectively conduct HCO presentations. This may include, but is not limited to:

   a. Following the HCO Script.

   b. Electronic audio and visual communication mediums.

   c. Other enhancements to the HCO presentation.

8. The Contractor will develop and implement a method for evaluating applicant/beneficiary satisfaction with HCO presentations.

C. Outreach

The Contractor will identify and submit to the Department for approval, additional locations for presentations, such as community centers, community meetings, health fairs, Women, Infants and Children (WIC) nutrition sites, churches and festivals. Further, the Contractor will schedule HCO presentations outside the normal business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday, as approved by the Department.

The Contractor will submit to the Department for prior approval, a schedule of all outreach presentations. This schedule will be provided on a biweekly basis, or as determined by the Department. At a minimum, this schedule will include:

1. The name of the Enrollment Service Representative (ESR) giving the presentation.

2. The organization or event served by the presentation, as well as the location.

3. The date and time of the presentation.

4. Anticipated number of beneficiaries attending.

In addition, the Contractor will provide the Department with a follow-up report which will be include in the monthly progress

report.

D. Training

1. The Contractor will develop and conduct initial and ongoing training programs for the HCO Contractor's staff and monitor staff performance on a continual basis. The training program will be comprehensive and ensure that Contractor staff is able to diligently perform the scope of work in this RFP. Training will include, but will not be limited to:

   a. An overview of the Medi-Cal program;

   b. Managed Care and HCO legislation;

   c. The development of managed care plans in California;

   d. Mock training sessions with critiques;

   e. Instruction on the completion of the HCO enrollment forms;

   f. MEDS inquiry, access and updates;

   g. Review of script and informing materials;

   h. A review of plans and services available in each County;

   i. How to access services in plans/plan grievance processes;

   j. Security and confidentiality policies;

   k. Cultural and linguistic sensitivity;

   l. Customer relations;

   m. State enrollment and disenrollment process.

2. The Contractor will develop, and conduct as requested, an HCO

education program for:

a. County Welfare Department staff;

b. Department staff;

c. Consumer advocate groups;

d. Lawsuit representatives;

e. Medical plan staff;

f. Local officials;

g. Other parties and organizations impacted by the HCO program and legislation.

E. Enrollment Form Processing

The Contractor will assume responsibility for enrollments in any county, as designated by the Department.

1. The Contractor will enroll eligible beneficiaries into selected managed care plans. The enrollment function may include, but is not limited to:

   a. Transmitting enrollment records to the Department in a format prescribed by the State through methodology proposed by the Contractor and approved by the Department, utilization of the "Choice" licensed software available to the Contractor, an/or by online action thru MEDS.

   b. Use MEDS and any other Medi-Cal eligibility verification system as made available by the Department in the future, to make corrections to the beneficiary's enrollment information.

   c. Complete enrollments within one (1) business day of receiving notification of eligibility for on-line enrollments or within two (2) business days for batch enrollments. Batch enrollments are enrollment forms which are compiled by Contractors staff at presentation locations and forwarded to the Contractors processing facilities on a daily basis.

   d. Review the HCO enrollment form for accuracy and completeness to ensure a timely enrollment in the applicant's/beneficiary's managed care plan of choice.

   e. Should the Department determine that enrollment forms currently submitted to the Department directly by managed care plans are to be submitted to the Contractor for processing, the Contractor will assist the managed care plans to ensure enrollment forms are completed correctly and provide managed care plans with lists of enrollments successfully processed.

   f. Resolve enrollment problems to ensure enrollment in the selected managed care plan within the mandated timeframe.

   g. Provide lists on a weekly basis, directly to the managed care plans of those applicants and beneficiaries who have completed an enrollment form, selected a medical plan and are eligible, or who are eligible and have been defaulted to a plan through the HCO program.

2. The Contractor will enroll eligible beneficiaries into selected managed care plans through the following procedure:

   a. Enrollment form is received and sorted.

   b. Enrollment form is reviewed. If the form is complete, Contractor must confirm recipients eligibility for enrollment in health plan of choice, then process enrollment. If the form is incomplete,

the form is returned to the beneficiary one (1) business day after processing of the incomplete form, with a letter identifying areas which are incomplete, and requesting the beneficiary to complete the enrollment form. The form in reviewed again upon return, and if complete, enrollment will be processed.

c. Confirmation letter, identifying plan name and effective date of enrollment is sent to the beneficiary one (1) business day after enrollment transaction is accepted.

d. If an enrollment form is not completed and returned by the beneficiary within the established timeframe, a "Notice of Intent to Assign" letter is sent to remind the beneficiary to complete and return the enrollment form.

e. If an enrollment form is not received from the beneficiary following the reminder, the beneficiary is automatically assigned to a managed care plan. (See Assignment, Sections)

f. When a beneficiary is automatically assigned to a medical plan, a

"Notice of Assignment" letter is sent to the beneficiary.

3. The Contractor may receive documentation or calls from

beneficiaries indicating they qualify to remain Fee-For- Service as a result of a medical exemption. Contractor will allow beneficiary to remain FFS through the exemption period. The Contractor will monitor these beneficiaries and upon termination of the exemption period, contact the beneficiary and request an enrollment form be completed.

The Department will publish a list of medical conditions which qualify the beneficiary for medical exemptions, and will furnish this list to the Contractor. It will be the Contractors responsibility to track these beneficiaries and begin the informing process once the exemption period has expired.

F. Disenrollment Form Processing

The Contractor will assume responsibility for disenrollment in any County as directed by the Department.

1. The Contractor will disenroll eligible beneficiaries from managed care plans. This function may include, but is not limited to:

   a. Transmitting disenrollment records to the Department in a format prescribed by the State, through methodology proposed by the Contractor, utilizing the "Choice" licensed software available to the Contractor from the Department, and/or by online action thru MEDS.

   b. Use MEDS and any other Medi-Cal eligibility verification system as made available by the Department or County for corrections to the beneficiary's disenrollment form information.

   c. Complete disenrollment transactions within one (1) business day of receiving disenrollment forms for on-line disenrollments, or within two (2) business days for batch disenrollments. Batch disenrollments are disenrollment forms which are compiled by Contractors staff at presentation locations and forwarded to the Contractors processing facilities on a daily basis.

   d. Review the HCO enrollment/disenrollment form for accuracy and completeness to ensure a timely disenrollment from the beneficiaries' managed care plan.

   e. Assist the beneficiary to correct disenrollment form errors.

   f. Resolve disenrollment problems to ensure a timely disenrollment from the managed care plan.

   g. Provide lists on an as requested basis, directly to the managed

care plans of those beneficiaries who have completed a disenrollment request to be disenrolled from a managed care plan through the HCO program.

h. Retroactively disenroll beneficiaries who meet the necessary criteria, as determined by the Department.

i. Should the Department determine that enrollment/disenrollment forms currently submitted to the Department by managed care plans are to be submitted to the Contractor for processing, the Contractor will assist the managed care plans to ensure the enrollment/disenrollment forms are completed correctly and provide the plans with a list of disenrollments successfully processed.

2. The Contractor will disenroll eligible beneficiaries from selected managed care plans through the following procedure:

a. Disenrollment forms received and sorted.

b. Disenrollment form reviewed for accuracy of information. If form is complete, Contractor processes disenrollment. If form is incomplete or incorrect, the form is returned to the beneficiary within one (1) business day of processing disenrollment request, with a letter of request to complete the disenrollment form, specifying the areas which are incomplete or incorrect. The form is reviewed again upon return, and if complete, disenrollment is processed.

If enrollment in a MCP is mandatory and if the beneficiary is disenrolled because the beneficiary has a medical condition which qualifies the beneficiary to be exempt from enrollment, the Contractor will verify that a signed exemption form has been submitted with the disenrollment form.

c. If enrollment is mandatory, the Contractor will ensure the beneficiary re-enrolls in a MCP by verifying the beneficiary's selection of a new MCP on the enrollment/disenrollment form.

d. A letter is mailed to the beneficiary, confirming the disenrollment request.

e. In GMC, the beneficiary must select a new MCP unless the beneficiary has a medical condition which qualifies him/her to be exempt from enrollment. One (1) business day after enrollment transaction is accepted, a letter is mailed to the beneficiary, confirming the choice of the new MCP, identifying plan name and effective date of enrollment.

3. The Contractor will monitor beneficiaries who wish to remain Fee-For-Service because of a medical condition, and begin the enrollment process once the exemption period has expired.

The Department will publish a list of medical conditions which qualify the beneficiary for medical exemptions, and will furnish this list to the Contractor. It will be the Contractors responsibility to track these beneficiaries and begin the informing process once the exemption period has expired.

4. In FFS MCN, the Contractor will be responsible for processing disenrollments for beneficiaries who submit an exemption form, self-certifying they are not required to participate in the FFS MCN program due to a medical condition which qualifies him/her to be exempt from enrollment.

5. The Contractor will retroactively disenroll beneficiaries which meet specific criteria as determined by the Department. Retroactive disenrollments require direct modification to MEDS.

Geographic Managed Care

G. Informing Beneficiaries

When new AFDC beneficiaries appear on MEDS and are eligible for Medi-Cal benefits, MEDS information tapes will be transmitted to the Contractor (seven days per week). If the AFDC beneficiary who appears on the MEDS tape does not have a Medi-Cal enrollment form already on file, the Contractor

will mail an enrollment packet to the beneficiary, unless the beneficiary is identified as homeless by specific? County P.O. Box addresses on the MEDS information tapes.

The enrollment packet will be developed by the Department. The Contractor may be required to develop or edit materials at the discretion and with the approval of the Department.

1. The enrollment packet consists of a cover letter, an information/instruction booklet, a list of assistance telephone numbers and addresses, a list of plan primary care providers, plan-paid advertising, plan comparison chart, instructions regarding plan access problems, an enrollment form and postage paid envelope. This information will be provided in both English and any additional primary language indicated on the MEDS form. Once AFDC beneficiaries receive the enrollment package from the Contractor, they have 30 days to return the enrollment form specifying their choice for how they will receive their Medi-Cal benefits. The materials also will advise them of the availability of a face-to-face presentation and provide the Contractor's toll-free number to get more information in various languages.

2. If a beneficiary returns the enrollment form but does not provide all the needed information, the HCO Contractor will send out a letter one (1) business day after processing the incomplete form, requesting the missing information.

3. If the enrollment packet is returned to the HCO Contractor undelivered, the file will be flagged and no further action is taken until the Contractor receives a new address notification.

4. If a beneficiary does not respond within ten (10) business days and the letter has not been returned, a "Notice of Intent to Assign" will be sent by the HCO Contractor to the beneficiary within one (1) business day. The "Notice of Intent to Assign" will, at a minimum, include the following information:

    a. Beneficiary's name and address.

    b. Name and telephone number of the managed care plan to be assigned.

    c. Reason for intention to assign to a managed care plan.

    d. Effective date of assignment.

    e. Instructions concerning forms to be completed to prevent assignment and time frames for completing those forms.

    f. Toll-free telephone number and address where the beneficiary can obtain additional information and complete the enrollment form.

5. If the beneficiary has not completed an enrollment form within 30 days from the date that the enrollment packet was mailed; or the beneficiary attended a face-to-face presentation (whichever occurs first), the HCO Contractor will assign the beneficiary to a plan and send a "Notice of Assignment" on the thirty-first (31st) day, which will include the following information:

    a. The effective date of assignment to a plan.

    b. The process to use if the assignment is not appropriate or if the beneficiary wishes to disenroll from the assigned plan.

    c. Plan to which beneficiary has been assigned.

    d. Toll-free telephone number and address where beneficiary can receive additional information or assistance.

H. Assignment

The Contractor will develop and maintain procedures for determining which AFDC applicants have failed to make a choice of Managed Care Plan (MCP) within the specified period or are exempt from assignment (i.e., have an existing relationship with a primary care provider certified by that provider). The Contractor will assign these AFDC applicants to an available MCP which provides services in the geographic area where the applicant resides. This assignment system must include, but will not be limited to:

1. Assigning applicants into MCP's, except in those instances where the applicant meets the criteria exempting the applicant from mandatory assignment.

2. A method for monitoring/tracking applicant selection in order to identify applicants that have not selected a MCP within the required 30 days from the day that the enrollment packet was mailed, or, the beneficiary attended a face- to-face presentation, before assigning the MCP, if a choice has not been made.

3. Assigning applicants to the various types of managed care models, or pilot projects.

4. Assigning beneficiaries to the same MCP as other members of the family group, to the extent possible.

5. Assigning applicants into a MCP in which they are eligible

to be enrolled. This includes:

a. A MCP which has capacity to accept new patients;

b. A MCP which is within a ten mile radius of where the applicant resides;

c. A MCP which provides services to those persons in the aid code of the applicant.

d. A MCP which has language capability to meet the beneficiary's needs.

Two Plan Model Phase-In

I. Informing Beneficiaries

During the phase-in of the Two-Plan Model, the Department will require the Contractor to use the HCO process for enrollment of AFDC beneficiaries into the Local Initiative Plan (LI) and the mainstream plan (MP) when one of the two plans becomes operational. The process will target AFDC applicants and beneficiaries in the aid codes identified for mandatory enrollment in the fully operational Two-Plan Model waiver. During the phase-in period, participating beneficiaries always have the option of choosing FFS, even if they are assigned to an MCP because they did not make a choice. When the Department determines the LI or MP is ready to begin operation, the County Department of Social Services and the Contractor will be notified. The County eligibility worker will provide each applicant with a document explaining what is required and where they need to go for a presentation.

If the AFDC applicant does not attend the Contractor presentation or does not mail in the Medi-Cal enrollment form, the Contractor will mail the same enrollment packet to the applicant when the applicant is determined to be eligible for Medi-Cal. If the beneficiary is identified as homeless by specific County P.O. Box addresses on the MEDS information tapes, the Contractor will not mail the enrollment package.

The enrollment packet will be developed by the Department. The Contractor may be required to develop or edit materials at the discretion and with the approval of the Department.

1. The enrollment packet will advise them they may attend a face-to-face presentation or call the Contractor's toll-free number to get more information. During the phase-in period, beneficiaries will be offered a choice of enrolling in the

operational LI or MP, enrolling in an existing HMO or enrolling in a PCCM plan, or certifying to an existing relationship with a named FFS provider.

2. If a beneficiary sends in the form, but does not provide all needed information, the Contractor will send a letter one (1) business day after the incomplete form has been entered, to that beneficiary identifying what is still needed.

3. If the enrollment packet is returned to the Contractor undelivered, the file is flagged and no further action will be taken until the Contractor receives a new address notification.

4. If a beneficiary does not respond, but the mail was delivered ten (10) calendar days later, a "Notice of Intent to Assign" will be sent by the HCO Contractor to the beneficiary. The "Notice of Intent to Assign" will, at a minimum, include the following information:

   a. Beneficiary's name and address.

   b. Reason for intention to assign to a managed care plan.

   c. Effective date of assignment.

   d. Instructions concerning forms to be completed to prevent assignment and time frames for completing those forms.

   e. Toll-free telephone number and address where the beneficiary can obtain additional information and complete the enrollment form.

5. If the beneficiary has not completed an enrollment form within thirty (30) calendar days from the date of referral, or date the enrollment packet is mailed, the Contractor will send a "Notice of Assignment" on the thirty-first (31st) day which will include the following information:

   a. The effective date of assignment to the managed care plan.

   b. The process to use if the assignment is not appropriate or if the beneficiary wishes to disenroll from the assigned plan.

   c. The plan to which beneficiary has been assigned.

   d. Toll-free telephone number and address where beneficiary can receive additional information or assistance.

J. Assignment

Beneficiaries in mandatory aid codes who attend a presentation or are mailed notification and do not respond within thirty (30) calendar days, will be notified in writing one (1) business day after accepted enrollment transaction, by the HCO Contractor, of their assignment to either the operational LI or MP and the effective date of that assignment. They also will be advised by the HCO Contractor, of the process to use if they wish to disenroll from their assigned plan and enroll in other available plans (if applicable) or FFS.

Enrollment packets will include a cover letter, an information/instruction booklet, a list of assistance telephone numbers and addresses, an enrollment form, plan paid advertising, plan comparison chart, instructions regarding plan access problems, a list of plan primary care providers and a postage paid envelope. In addition to English, materials will also be sent in any primary language designated on MEDS. The information will identify the locations of the Contractor where beneficiaries may attend a presentation explaining the material. If they are unable to attend a presentation, the material will instruct them to use the toll-free telephone number to obtain additional information and assistance.

1. If a beneficiary sends in the enrollment form, but does not provide all needed information, the Contractor will send a letter one (1) business day after processing incomplete form, identifying what is still needed.

2. If the mailed enrollment packet is returned to the Contractor undelivered, the file will be flagged and no further action will be taken until the Contractor receives a new address notification.

3. If a beneficiary does not respond, but the mail was not returned, ten (10) business days later, a "Notice of Intent to Assign" will be sent by the Contractor to the beneficiary within one (1) business day. The "Notice of Intent to Assign" will, at a minimum, include the following information:

    a. Beneficiaries name and address.

    b. Name and telephone number of the managed care plan to

be assigned.

    c. Reason for intention to assign beneficiary to a managed care plan by default.

    d. Effective date of assignment.

    e. Instructions concerning forms to be completed to prevent assignment and time frames for completing those forms.

    f. Toll-free telephone number and address where the beneficiary can obtain additional information and complete the enrollment form.

4. If the beneficiary has not completed an enrollment form within thirty (30) calendar days from the date of referral, enrollment packet mail date, or face-to-face presentation, the Contractor will, on the thirty-first (31st) day, send him/her a "Notice of Assignment" which will include the following:

    a. The effective date of the assignment to the plan.

    b. The process to use if the assignment is not appropriate or if they wish to disenroll from the assigned plan.

    c. Plan to which beneficiary has been assigned.

5. Toll-free telephone number where beneficiary can receive additional assistance. Whether beneficiaries are assigned to a plan or choose a plan, they are required to receive written notification from the Contractor of acceptance in a plan. The Contractor's toll-free number will be included in this letter.

Two Plan Model Full Implementation

K. Informing Beneficiaries

Once the Two-Plan Model is fully operational (i.e., both the LI and the MP contracts are executed and approved by the Health Care Financing Administration) in a County, the Department will require the Contractor to use the HCO process to inform applicants and beneficiaries in the mandatory aid codes regarding their health care options.

1. Prior to full operation of the Two-Plan Model in a County, the Department will notify AFDC beneficiaries in mandatory

aid codes of the transition to full implementation of the waiver. This notice will also inform beneficiaries of the forthcoming enrollment packet which will explain their health care options.

    a. The notice sent to beneficiaries in mandatory aid codes currently on FFS will advise them that they must make a choice between the LI and the MP. If they do not make a choice, they will be assigned to one of the two plans. FFS no longer will be an option.

    b. The notice sent to beneficiaries in mandatory aid codes currently enrolled in MCP's other than the LI or MP will advise them that their MCP will no longer provide services for AFDC beneficiaries and they must choose between the LI and the MP. If they do not make a choice, they will be assigned to one of the two plans.

    c. The notice sent to beneficiaries in mandatory aid codes currently

enrolled in the LI or MP, or in health plans subcontracting with the LI or MP, will advise them of the availability of the other plan. They may choose to disenroll from their existing plan and enroll in the newly operational plan; however, if they do nothing, they will remain with their current plan.

2. Prior to full operation, the Contractor will begin mailing out enrollment packets to AFDC beneficiaries, unless the beneficiary is identified as homeless by specific County P.O. Box addresses on the MEDS information tapes. The Contractor will control the issuance of the mailers with the goal of minimizing confusion to beneficiaries. The Contractor enrollment package mail-out schedule will take into consideration the size of AFDC population, whether the LI or MP was operational during the phase-in period, and the size and number of MCP's in the County.

   The enrollment packet will be developed by the Department. The Contractor may be required to develop or edit materials at the discretion, and with the approval, of the Department.

   Enrollment packets will include a cover letter, an information/instruction booklet, a list of assistance telephone numbers and addresses, an enrollment form, plan paid advertising, plan comparison chart, instructions regarding plan access problems, a list of plan primary care providers and a postage paid envelope. In addition to English, materials will also be sent in any primary language designated on MEDS. The information will identify the

   locations of the Contractor where beneficiaries may attend a presentation explaining the material. If they are unable to attend a presentation, the material will instruct them to use the toll-free telephone number to obtain additional information and assistance.

   a. If a beneficiary sends in the enrollment form, but does not provide all needed information, the Contractor will send a letter one (1) day after processing incomplete form, identifying what is still needed.

   b. If the mailed enrollment packet is returned to the Contractor undelivered, the file will be flagged and no further action will be taken until the Contractor receives a new address notification.

   c. If a beneficiary does not respond, but the mail was not returned, ten (10) calendar days later, a "Notice of Intent to Assign" will be sent by the Contractor to the beneficiary. The "Notice of Intent to Assign" will, at a minimum, include the following information:

      1. Beneficiaries name and address.

      2. Name and telephone number of the managed care plan to be assigned.

      3. Reason for intention to assign beneficiary to a managed care plan by default.

      4. Effective date of assignment.

      5. Instructions concerning forms to be completed to prevent assignment and time frames for completing those forms.

      6. Toll-free telephone number and address where the beneficiary can obtain additional information and complete the enrollment form.

   d. If the beneficiary has not completed an enrollment form within thirty (30) calendar days from the date of referral, enrollment packet mail date, or face-to-face presentation, the Contractor will, on the thirty-first (31st) day, send him/her a "Notice of Assignment" which will include the following:

      1. The effective date of the assignment to the plan.

2. The process to use if the assignment is not appropriate or if they wish to disenroll from the assigned plan.

3. Plan to which beneficiary has been assigned.

4. Toll-free telephone number where beneficiary can receive additional assistance.

Whether beneficiaries are assigned to a plan or choose a plan, they are required to receive written notification from the Contractor of acceptance in a plan. The Contractor's toll-free number will be included in this letter.

L. Assignment

Beneficiaries in mandatory aid codes who attend a HCO presentation or are mailed notification and do not respond within 30 calendar days, will be notified on the 31st day by the Contractor in writing of their assignment to either the LI or MP and the effective date of that assignment. They also will be advised of the process to use if they wish to disenroll from their assigned plan and enroll in the other available plan.

When a beneficiary is assigned to a plan, a weighted assignment method will be used to determine the plan to which assignment will be made. The following initial beneficiary considerations apply:

1. A beneficiary will only be assigned to an MCP with a primary care service site in the same ZIP Code as the beneficiary's residence.

2. A beneficiary will be assigned to the same MCP as other members of the same family group, to the extent possible.

3. Assigning applicants into a MCP in which they are eligible to be enrolled. This includes

   a. A MCP which has capacity to accept new patients;

   b. A MCP which provides services to those persons in the aid code of the applicant.

   c. A MCP which has language capability to meet the beneficiary's needs.

Once the above conditions are met, the LI will be given preference in the assignment process over the MP. Provided the LI has capacity, all assignments will be given to the LI until the LI reaches its minimum

enrollment level, which is established by the Department to provide protection to the disproportionate share hospital payments in that County. Once the LI has reached its minimum enrollment level, assignments will be rotated equitably between the LI and the MP.

The minimum enrollment levels for each County's Local Initiative are described in the Data and Information Library.

M. Customer Assistance

The Contractor will provide assistance to beneficiaries in using their health care plan membership, and will assure that this assistance is readily accessible to beneficiaries. This assistance will emphasize their rights and responsibilities as health care plan enrollees. The Contractor will contact involved health care plans, as necessary, and gather all materials/forms needed to assist beneficiaries. Assistance will include, but not be limited to:

1. Explaining how health care plans operate and how to use the resources of the plans. This will include giving them information regarding completion of applications, and information about the health care plan grievance process and the appeal process for those who have been assigned to a health plan.

2. Referring beneficiaries to the appropriate health care plan's organizational units or staff to resolve enrollment problems.

3. Providing information, as supplied through the Department by health care plans, to beneficiaries on public transportation available to and from health care plan service sites.

4. Maintaining toll-free 800 numbers available Monday through Friday, (excluding holidays) between the hours of 8:00 a.m. and 5:00 p.m. Pacific Standard Time, for beneficiary questions, inquiries, problems or concerns. (The rights to use the sequential combinations of numbers that make up the toll free 1-800 numbers will become/remain property of the Department.)

   The minimum standards for the Call Center are:

   a. All calls must be answered within three (3) rings (a call pick-up system that places the call in queue may be used).

   b. No more than one call per operator should be in queue at any time.

   c. Telephone calls should be of sufficient length to assure adequate information is gained from and/or imparted to the recipient.

   d. The average hold time should be 60 seconds.

   e. The average abandon rate should be 5%.

   f. The average referral to voice mail should be 2%. This does not include referrals resulting from ACD options.

   g. All voice mail calls should be returned within 24 hours.

   h. The average number of blocked calls (i.e., calls receiving a busy signal) should be no more than 5%.

5. Ensuring accessibility of an interpreter for services to non or limited English speaking beneficiaries as well as maintaining a TDD line for the hearing impaired. Contractor will consider cost effective methodologies for providing translation services, including hiring bilingual customer service representatives in proportion to beneficiary language needs. The Department will approve methodologies utilized by the Contractor.

6. Maintaining sufficient informed staff to respond promptly to applicant/beneficiary inquiries and/or questions.

7. Documenting the nature of all complaints and attempt to resolve them within two (2) working days of the Contractor's receipt of the complaint.

8. Referring issues which are beyond the scope of the Contractor's duties to the Ombudsman Unit within one (1) working day of receipt from the beneficiary.

N. Problems Resolution

1. The Contractor will provide assistance to beneficiaries in enrolling into and using their health care plan. The Contractor will identify all cases in which an enrollment transaction has not been completed at least 45 days after the filing of the beneficiary's enrollment form and for which the Contractor has received no notification from the Department of any new MED'S eligibility status.

   The Contractor will:

   a. Investigate each case to determine the cause for

   delay, using County and/or Department resources made available to them.

   b. Inform the County of those enrollment forms and the reasons for delay, in order to allow the County to correct any MEDS errors.

   c. Inform the Department, on a monthly basis, of the number of errors reported to the County and the elapsed time between the report to the County and the correction of the problem.

2. The Contractor will report to the County and the Department, MEDS input errors that prevent beneficiary enrollment into a health care plan.

3. When a beneficiary calls the Contractor with a problem, the Contractor may need to forward the beneficiaries problem to the Departments Ombudsman Unit for resolution. The Contractor will:

   a. Investigate the beneficiary's inquiry and determine the nature of the problem.

   b. If the inquiry can be addressed by the HCP through the grievance or appeal process, refer beneficiary to the HCP.

   c. If the problem can be corrected, the appropriate records will be modified by the Contractor and submitted to the Department.

   d. The Contractor will call the beneficiary within 24 hours to advise him/her of the results of the investigation.

      1. The beneficiary will receive follow-up written confirmation of the results of the investigation.

      2. The Department will receive a written Incident Report from the Contractor.

      3. The Plan will receive a phone call from the Contractor.

O. Ombudsman

In the event that referrals to the plan are not successful, or the complaints cannot be resolved by the Contractor, the Contractor will record the complaint. The Contractor will advise

the beneficiary of the date which they can be expected receive a call or an answer. The Contractor will include this date on a transmittal, and fax it to the Departments Ombudsman Unit. The Ombudsman Unit will work with the plan to resolve the complaint within the specified time frame, and fax the resolved complaint or an extended due date to the Contractor for communication to the beneficiary. If necessary, the Contractor will provide all necessary translation services and communication links between the beneficiary and the Ombudsman unit, as requested by the Department.

P. Monthly Progress Reports

The Contractor will submit monthly progress reports to the Department. The reports will be prepared to meet the following requirements:

1. The reports are to be submitted in hard copy and as indicated in B below with all statistical tables in a MS DOS, Lotus 123 WK1 compatible spreadsheet format. All narrative will be submitted in the American Standard Code II (ASCII) or in WordPerfect 6.0 format.

2. The format for submission of this report will be 3.5" high density, double sided 1.4MB diskettes or 3.5" double density, double sided 720KB diskettes.

3. Reports will be filed by the tenth working day of the month following the report month.

4. The Monthly Progress Reports will include, but not be limited to, the following:

   a. Table of Contents

   b. Monthly Report Summary

      1. Call Center, including total incoming calls; average talk time; average wait time; abandon rate; voice mail rate; total provider calls; total outbound calls; total number of calls.

      2. Enrollment Processing, including number of beneficiaries choosing FFS; Health care plans (by plan); dental plans; referrals to presentations in counties which use a referral process; total transactions; assignment.

      3. Number of Wetters sent by type.

4. Number of Disenrollments.

5. Number of Exemptions by each certifying physician.

6. HCO Counseling, including number of presentations; number of cases; persons represented.

c. HCO Status Reports by County.

Intercounty reports will compare County performance in HCO presentations, enrollments and disenrollments. Counties will be summarized by site(s) and overall County total.

1. Total applications completed by case number and number of persons; total applications granted by case number and number of persons.

2. Total redetermination by case number and number of persons.

3. A daily and total count of the number of cases referred to HCO presentations in counties which utilize a referral process and referral forms.

4. A daily and total count of the number of cases and persons represented in those cases who actually attended the HCO presentation.

5. Daily and total summaries of the number of presentations made at each location and total length of each presentation.

6. A breakdown of the number of persons and percentage who chose Fee-For-Service. This number is to be separated by new eligibles and redeterminations.

7. A breakdown of the number of persons and percentage who chose specific health care plans. This number is to be separated by new eligibles and redeterminations.

8. Health care plan selection and/or assignment including name of plan.

9. Total County enrollment.

10. Total County disenrollment, including name of plan and reason for disenrollment, including language/ethnicity.

11. Total County default assignments by beneficiaries' language, ethnicity and zip code

d. Narrative Report, including an overview of current and future activities, any pertinent information not included in statistical information and an explanation of variations in the statistical information.

e. A description of any problems encountered and a proposed corrective action plan to resolve problems within the scope of the Contractor's responsibilities. The Department will retain the authority to approve, deny or amend corrective action plans.

f. Any other reports and information as determined and requested by the Department such as specialized research reports.

Sample monthly reports are available in the Data and Information Library.

Q. Reports To Managed Care Plans

1. The Contractor will submit lists, on a weekly basis, directly to the managed care plans regarding those beneficiaries who have been enrolled in the managed care plan and the PCP selected by the beneficiary (if applicable) through the HCO program.

2. The reports will include specific information, i.e., beneficiary name, Social Security Number, address, etc.

3. A copy of the weekly report to the MCPs will be sent to the Department.

R. Ad Hoc Reports

The Contractor will provide any ad hoc reports as requested, and within the timeframe designated by, the Department. These reports do not include those described in Exhibit B, and will be reimbursed as discussed in Section 18.18.8.H of the RFP. The volume of reports varies on a monthly basis.

S. Security and Confidentiality

This section describes the requirement for the Security and

Confidentiality Plan and Procedures which will be developed and submitted to the Department and implemented by the Contractor by the contract effective date.

1. The Contractor will comply with the provisions of the RFP security and confidentiality requirements from the effective date of the contract through the end of the contract.

2. The Contractor will permit Department and authorized State and federal representatives to access any HCO facility, equipment and related materials covered by the contract. Such access will be at the discretion of the Contract Manager.

3. The Contractor will provide any security and confidentiality procedures or related documentation to the Department within one (1) State workday after receipt of a request from the Contract Manager or his/her designee. All procedures required in this Section will be developed and formally submitted to the Contract Manager for review and written approval prior to implementation.

4. The Contractor will establish a security and confidentiality training program as part of the Security and Confidentiality Plan and Procedures specifically designed for all levels of Contractor staff. All persons having responsibility for the handling or processing of, or the exposure to, confidential data will participate. Such training will occur within two (2) weeks of the Department's approval of the training program. Once fully established and presented, an annual orientation program will be maintained to ensure a continual awareness of security and confidentiality requirements. Additionally, new employees will receive security and confidentiality training within one (1) week of their start date before they are given exposure to the confidential data. Included in the training will be fire and safety training. The training will cover a full range of security and confidentiality concerns, including, but not limited to:

   a. Definition of confidential data and examples of the various types.

   b. Federal and State law pertaining to confidential data.

   c. The staffs' ongoing responsibility to ensure that unauthorized disclosure does not occur, with practical and realistic examples as to how such disclosure can occur and what can be done by all staff to minimize or preclude the occurrence of unauthorized disclosure.

   d. The training must deal with both manual and automated processes and the procedures which have been devised to protect these processes.

5. The Contractor will see that the contents of this Section are included in the standard language of any subcontract entered into to perform work arising from or related to this contract.

6. Upon request from the Contract Manager, the Contractor will submit documentation acceptable to the Department to demonstrate compliance with security and confidentiality requirements and will certify, in writing, that all RFP requirements of this Section have been and will continue to be met throughout the life of the contract.

7. The Contractor will develop, implement and maintain a Department approved Security Plan and Procedures which provide adequate physical and system security for the HCO Program.

   All Contractor facilities associated with this contract will be addressed in the Security Plan. Facilities will include, but are not limited to, the equipment room; software and data libraries; supervisor area; job entry area; enrollment and disenrollment form processing area: mail room; computer terminals; Customer Service telephone room; junction boxes; and HCO presentation sites. It will also include transportation and data holding resources used by the Contractor throughout the term of the contract and the facilities which handle both enrollment and disenrollment information.

8. All Contractor facilities will be secured so that only authorized persons, including persons designated by the Contract Manager, are permitted entry into the facility and that such persons are restricted to areas where they are permitted access. Access control requirements will include, but not be limited to:

   a. Contractor staff will be familiar with and adhere to the written security policy.

   b. Facility entry and control points will be guarded or locked at all times. Control points should be established for each of the following: entrances to the processing facility where both enrollments and disenrollments are processed; service entrances; loading platforms; garage entrances;

equipment/facilities; and secondary entrances.

   c. The Contractor's processing facility will be a secured building, providing segregated areas which contain confidential information. There will be no access to unauthorized personnel in these segregated areas.

   d. The Contractor will have available and furnish to the Department as a part of the Security and Confidentiality Plan and Procedures, a current list of all authorized staff and their levels of access. Upon change of duty or termination of Contractor staff from work under or arising from this contract, access authority for that staff member will be removed.

   e. The entry and exit of visitors and messengers will be logged by visitor name, agency represented, date and time of arrival and departure, and name of individual to whom visit is made. Identification credentials of all visitors will be checked. Visitors will be badged and escorted to their destination by a Contractor employee.

   f. Passwords will be required to access MEDS and "Choice" system, if utilized.

   g. Procedures for the handling, packaging and transportation of confidential information or resources will be developed, submitted to and approved by the Department, and will ensure against unauthorized access.

   h. The equipment room/facilities will be locked at all times.

   i. During non-working hours, the facility will be protected against intrusion with an appropriate surveillance alarm extended to a staffed monitoring center.

   j. The Contractor will establish and maintain internal security procedures and put safeguards in place to protect against possible collusion between Contractor employees and providers or others.

EXHIBIT C TURNOVER REQUIREMENTS

The objective of the turnover period is to ensure an orderly transfer of the Health Care Options contract from the Contractor to the successor Contractor at the end of the contract, or upon termination of the Contract. Turnover activities will begin as early as six (6) months prior to the end of the Contract. If the Department exercises its option to extend this Contract all Turnover activities will be delayed for a commensurate period of time.

Given the uncertainties associated with the turnover period that will occur at the end of this Contract, the Contractor will be flexible to changing requirements.

A. Turnover Support Services

Turnover support services will begin 6 months prior to the end of the contract period. The purpose of these services will be to assist the Department in the Contract procurement process and provide support in the transfer of records and operations .

All information provided by the Contractor will be accompanied by a letter, signed by the responsible authority, attesting to the accuracy, currency and completeness of the material(s) supplied.

Three months prior to the end of the Contract, the Contractor will provide an updated and detailed description of the methodology that will be utilized by the Contractor to ensure the complete review, certification, and acceptance of all Contractor's documentation provided to the Department for transfer to the successor Contractor.

The Contractor will supply any other information or data deemed necessary by the Department to effect a smooth turnover to a successor Contractor.

B. Turnover Work Plan

The objective of the Turnover Work Plan is to identify requirements necessary to complete the Contract expiration/termination process, transfer the Health Care Options process from the current Contractor to the successor Contractor at the end of this contract and describe in detail, the Contractor's proposed activities for the duration of the Contract. Turnover activities will begin 6 months prior to the end of the Contract. If the Department exercises its option to extend this Contract, all Turnover activities will be delayed for a commensurate period of time. The Turnover Work Plan will

include, but is not limited to the Contractor s turnover activities as follows

1. Descriptions of the turnover activities identified as major tasks and minor tasks to be performed during Turnover period.

2. A proposed schedule for the occurrence of all turnover tasks and services to be performed.

3. Proposed schedules and staff allocations, by classification, for all turnover activities, including narrative descriptions.

4. A detailed description of the procedures that will be utilized by the Contractor to ensure an acceptable transfer of the Contractor's records retention responsibilities to the successor Contractor.

5. A detailed description of the means by which the Contractor will support the Department, during Turnover, with documentation, software, and any other resources required to complete a test of the successor Contractor's operation of the HCO program. This will include descriptions of the tasks necessary to perform operational test runs.

6. A detailed description of the Contractor's activities during the turnover including a schedule of reports, files, and data that will be provided to the successor Contractor and a schedule demonstrating the proposed sequential organization of the transfer(s).

The Department will review the Turnover Work Plan to determine if all the Turnover requirements are adequately and appropriately detailed and sufficiently covered, by the Contractor, prior to giving final written Department approval to the Turnover Work Plan.

C. Turnover Preparation

The objective of the turnover preparation is to schedule activities to ensure the Department's procurement and the successor Contractor's takeover schedule will not in any way disrupt the Health Care Options contract activities. Turnover preparation activities will begin 6 months prior to the end of the Contract. During this turnover preparation period, the Contractor will provide the Department with a schedule of hands-on training for designated successor Contractor's staff on equipment and records being turned over.

D. Processing

The Contractor's obligations and liabilities will be as follows:

1. The Contractor will remain responsible for performing all contractual obligations until the close of the contract or as requested by the Department for phase-down period.

2. The Contractor will keep the beneficiary history file operative and current until the expiration of the contract.

3. The Contractor will develop a report describing, at the lowest level of detail understandable to the lay person, work in progress to be transferred to the successor Contractor.

4. Additional Contractor responsibilities during turnover will include:

   a. Maintain staffing consistent with workload during the turnover by encouraging and/or providing incentives for staff retention.

   b. In conjunction with the successor Contractor, hold job seminars with the Contractor's employees to encourage employees to accept employment with the successor Contractor, thereby enhancing the continuity of Health Care Options.

E. Contract Closeout

Following the operations phase of the contract, the Contractor will perform the following activities:

1. Transfer all records to the successor Contractor. This physical transfer will be in an orderly and efficient manner, and in full compliance with the security and confidentiality provisions of this contract. The Contractor will transfer to the successor Contractor, in covered boxes, all unprocessed documents along with transmittal sheets indicating the contents of each box, the type(s) of document(s) contained in each box, the exact status of each document, and the remaining activities to be performed for each document. This transfer will be accomplished with no disruption in services to users, including but not necessarily limited to provision of records retention services, during execution of the transfer. This transfer will be completed in accordance with the Departments phase-down plan, will be executed no later than the last day of the contract period, and will include but not be limited

to the following:

   a. Enrollment forms
   b. Disenrollment forms
   c. Inquiries and correspondence
   d. Appeals
   e. Returned mail
   f. Logs and correspondence for special review
   g. All other related documents and records as identified by the Department or the Contractor throughout contract closeout.

2. The Department may perform a final audit of all contract-related documentation in preparation for Federal or State conducted audits of the Contract.

EXHIBIT D DEPARTMENT RESPONSIBILITIES

In discharging its obligations under the resulting contract, the Department will perform the following duties:

A. Comply with provisions of the Request for Proposal and the Contractor's approved Technical Proposal.

B. Make appropriate payments for work performed by the Contractor as specified in the contract.

C. Designate the Department staff, also referred to as the Health Care Options (HCO) contract manager, who will act as a single source liaison or contact within the Department for all HCO related matters.

D. Provide and maintain liaison duties between the Contractor and the County Welfare Departments.

E. Provide and maintain liaison duties between the Contractor and the Managed Care Plans (MCP).

F. Provide the Contractor with a sufficient number of "Medi-Cal Choice" booklets and enrollment forms.

G. Ensure each County Welfare Department's compliance in referrals of Medi-Cal applicants and beneficiaries to the Contractors representatives.

H. Provide necessary access to the County Welfare Department's Medi-Cal Eligibility Data System (MEDS).

I. Evaluate and approve or disapprove all training materials and training courses the Contractor proposes to use to perform the implementation and continuous training requirements for the Contractor's staff.

   In the event the Department does not approve the training plan or materials, the Department will direct the Contractor to make appropriate modifications to make the material acceptable.

J. Notify the Contractor of the addition of new MCPs or termination of existing plans.

K. Provide to the Contractor, a list of beneficiary categories to be exempted from assignment to health care plans.

L. Provide to the Contractor written procedures for handling assignment and appeals.

M. Specify content and format for reports to be prepared by the Contractor relative to assignment.

N. Provide to the Contractor data files (see Section 9.0), in a jointly approved format, listing beneficiaries who have become eligible for Medi-Cal in aid categories and areas in which Medi-Cal health care plans are available.

O. Inform the Contractor of any changes in any health care plan listings of available clinic/office/hospital locations and information regarding public transportation to and from clinics/offices/hospitals, language capabilities and any extra services offered by the health care plan as this information becomes available.

P. Provide the Contractor with all the approved marketing materials developed by he MCPs which may be provided to the applicant or beneficiary with the enrollment packet or during the HCO presentation.

Q. Provide the Contractor with a detailed list of all primary CWD intake

offices where the Contractor will be required to maintain staff and the addresses and County contacts for each primary location.

R. Provide the Contractor with complete and current information on program content, regulations, policies, procedures, and guidelines affecting performance under this contract.

S. Provide the Contractor with approved zip codes by MCP.

T. Provide printed materials to be distributed by the Contractor in appropriate languages, as required by the Department.

U. Approve all audio, visual, and~printed materials developed by the Contractor for distribution to the applicant or beneficiary, and used in any presentation discussing the HCO program.

V. Approve the "Conflict of Interest Disclosure Statement" and the "Conflict of Interest Avoidance Plan" developed by the Contractor.

Department of Health Services EXHIBIT E
Contract Management Unit

SHORT-TERM TRAVEL REIMBURSEMENT INFORMATION
EFFECTIVE JULY 1, 1993

1. The following rate policy is to be applied for reimbursing the travel expenses of persons under contract:

   a. Short Term Travel is defined as a 24-hour period and less than 31 consecutive days. Starting time is ether one hour prior to takeoff time or from the time a person leaves his or her home, whichever is earlier.

   b. Contractors on travel status for more than one 24-hour period and less than 31 consecutive days may claim a tractional pan of a period of more than 24 hours. Consult the chart appearing on page 2 of this bulletin to determine the reimbursement allowance.

      (1) Lodging: Statewide Rate (no receipts) $24.99
      Statewide Rate (with receipts) Actual costs up to $79.00 plus tax.

      Reimbursement for actual lodging expenses exceeding the above amounts may be allowed with the advance written approval of the Deputy Director of the Department of Health Services or his or her designee. Receipts are required.

      (2) Meals/Supplemental Expenses (with or without.receipts):

Breakfast	$5.50	Dinner	$17.00
Lunch	9.50	Incidentals	5.00

   c. Out-of-state travel may only be reimbursed if such travel has been stipulated in the contract and has been approved in advance by the program with which the contract is held. For out-of-state travel, contractors may be reimbursed actual lodging expenses, supported by a receipt and may be reimbursed for meals and supplemental expenses each 24-hour period computed at the rates listed in b(2) above.

   d. In computing allowances for continuous periods of travel of less than 24 hours, consult the chart appearing on page 2 of this bulletin.

   e. No meal or lodging expenses will be reimbursed for any period of travel that occurs within normal working hours.

2. If any of the reimbursement rates stated herein change by law, an amendment to the contract must be entered into to incorporate the new rates. The effective date of any new rates will be determined by the effective date of the contract amendment.

3. For transportation expenses, the contractor must retain receipts for parking; taxi, airline, bus, or rail tickets; car rental; or any other travel receipts pertaining to each trip for attachment to an invoice as substantiation for reimbursement. Reimbursement may be requested for

commercial carrier fares; private car mileage; parking fees; bridge tolls; taxi, bus, or streetcar fares; and auto rental fees when substantiated by a receipt.

4. Note on Use of Autos: if a Contractor uses his or her car for transportation, the rate of pay will be 24 cents per mile. If, however, the contractor Claims that his or her actual cost is over 24 cents per mile, the contractor may Claim up to 30 cents per mile provided the Contractor types on an invoice and Certifies the following: "I certify that the actual cost of operating my vehicle was equal to or greater than the rate I have claimed." If a contractor uses his or her car in lieu of air fare, the air coach fare will be the maximum paid by the state. The contractor must provide a cost comparison upon request by the state. Gasoline and routine automobile repair expenses are not reimbursable. Amounts Claimed in excess of 24 cents per mile may be reported to the Internal Revenue Service.

5. The contractor may be required to furnish details surrounding each period of travel. Travel detail may include but not be limited to: departure and return times, destination points, miles driven, mode of transportation etc.

6. Contractors are to consult with the program with which the contract is held to obtain specific invoicing procedures.

<TABLE>

SHORT-TERM TRAVEL REIMBURSEMENT GUIDE

<CAPTION>

IF LENGTH OF TRAVEL IS	IF THIS CONDITION EXISTS	CONTRACTOR MAY CLAIM
<S>	<C>	<C>
Less than 24 hours	Travel period began at least one hour before the regularly scheduled work day began.	Breakfast
	Example: A contractor may claim breakfast if, during a period of travel, he or she begins their travel at 7:00 a.m. or earlier and their normal working day was scheduled to begin at 8:00 a.m.	
Less than 24 hours	-----------------------	No lunch
Less than 24 hours	Travel period ends at least one hour after the regularly scheduled work day ends.	Dinner
24 hours	A contractor is on travel status for a full 24-hour period (determined begin and end times).	Breakfast, lunch, and dinner
Last fractional part of more than 24 hours	Return at or after 9:00 a.m.	Breakfast
	Example: If a contractor returns the last day of a trip of more than 24 hours at or after 9:00 a.m., a breakfast allowance may be claimed.	
Last fractional part of more than 24 hours	Return at or after 2:00 p.m.	Lunch
	Example: If a contractor returns the last day of a trip of more than 24 hours at or after 2:00 p.m., a lunch allowance may be claimed.	
Last fractional part of more than 24 hours	Return at or after 2:00 p.m.	Dinner
	Example: If a contractor returns the last day of a trip of more than 24 hours at or after 7:00 p.m., a dinner allowance may be claimed.	

</TABLE>

EXHIBIT 23.1

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 February 7, 1997, in Amendment No. 1 to the Registration Statement (Form S-1 No. 333-21611) and related Prospectus of MAXIMUS, Inc. for the registration of 4,400,000 shares of its common stock.

/s/ ERNST & YOUNG LLP

Washington, DC

March 27, 1997