
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

**Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

For the quarterly period ended March 31, 2005

Commission File Number: 1-12997

MAXIMUS, INC.

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of
incorporation or organization)

**11419 Sunset Hills Road
Reston, Virginia**
(Address of principal executive offices)

54-1000588
(I.R.S. Employer
Identification No.)

20190
(Zip Code)

(703) 251-8500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 2, 2005, there were 21,286,379 shares of the registrant's common stock (no par value) outstanding.

MAXIMUS, Inc.

**Quarterly Report on Form 10-Q
For the Quarter Ended March 31, 2005**

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Throughout this Quarterly Report on Form 10-Q, the terms "we," "us," "our" and "MAXIMUS" refer to MAXIMUS, Inc. and its subsidiaries.

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements.

MAXIMUS, Inc. CONDENSED CONSOLIDATED BALANCE SHEETS (Dollars in thousands)

	September 30, 2004 (Note 1)	March 31, 2005 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 91,854	\$ 78,173
Marketable securities	47,400	83,090
Restricted cash	1,379	1,257
Accounts receivable – billed, net of reserves of \$5,567 and \$7,126	111,834	115,454
Accounts receivable – unbilled	42,280	48,100
Prepaid expenses and other current assets	9,673	6,022
Total current assets	304,420	332,096
Property and equipment, at cost	52,676	56,226
Less accumulated depreciation and amortization	(26,983)	(30,406)
Property and equipment, net	25,693	25,820
Capitalized software	30,918	35,594
Less accumulated amortization	(12,667)	(14,088)
Capitalized software, net	18,251	21,506
Deferred contract costs, net	15,475	19,984
Goodwill	84,886	85,537
Intangible assets, net	9,807	8,779
Other assets, net	6,215	5,794
Total assets	\$ 464,747	\$ 499,516
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 27,476	\$ 34,868
Accrued compensation and benefits	21,224	21,271
Deferred revenue	21,195	26,728
Income taxes payable	—	1,181
Deferred income taxes	1,930	4,313
Current portion of capital lease obligations	1,649	1,577
Other accrued liabilities	1,432	1,332
Total current liabilities	74,906	91,270
Capital lease obligations, less current portion	5,108	4,365
Deferred income taxes	10,766	14,798
Other liabilities	419	164
Total liabilities	91,199	110,597
Shareholders' equity:		
Common stock, no par value; 60,000,000 shares authorized; 21,319,847 and 21,320,370 shares issued and outstanding at September 30, 2004 and March 31, 2005, at stated amount, respectively	147,966	146,663
Accumulated other comprehensive loss	(345)	(89)
Retained earnings	225,927	242,345
Total shareholders' equity	373,548	388,919
Total liabilities and shareholders' equity	\$ 464,747	\$ 499,516

See notes to unaudited condensed consolidated financial statements.

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MAXIMUS, Inc. CONDENSED CONSOLIDATED STATEMENTS OF INCOME (In thousands, except per share data) (Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2004	2005	2004	2005
Revenue	\$ 150,707	\$ 154,051	\$ 289,601	\$ 306,546
Cost of revenue	106,076	110,336	202,387	218,426
Gross profit	44,631	43,715	87,214	88,120
Selling, general and administrative expenses	29,253	28,714	56,905	58,263
Income from operations	15,378	15,001	30,309	29,857
Interest and other income, net	336	703	528	803

Income before income taxes	15,714	15,704	30,837	30,660
Provision for income taxes	6,207	6,204	12,181	12,111
Net income	\$ 9,507	\$ 9,500	\$ 18,656	\$ 18,549
Earnings per share:				
Basic	\$ 0.44	\$ 0.45	\$ 0.86	\$ 0.87
Diluted	\$ 0.43	\$ 0.44	\$ 0.84	\$ 0.86
Dividends per share				
	\$ —	\$ 0.10	\$ —	\$ 0.10
Weighted average shares outstanding:				
Basic	21,796	21,304	21,586	21,305
Diluted	22,262	21,612	22,098	21,578

See notes to unaudited condensed consolidated financial statements.

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MAXIMUS, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended March 31,	
	2004	2005
Cash flows from operating activities:		
Net income	\$ 18,656	\$ 18,549
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,561	3,423
Amortization	2,755	3,519
Deferred income taxes	9,925	6,415
Tax benefit due to option exercises and restricted stock units vesting	3,352	1,086
Non-cash equity based compensation	457	555
Change in assets and liabilities, net of effects from acquisitions:		
Accounts receivable - billed	9,872	(3,620)
Accounts receivable - unbilled	(11,986)	(5,820)
Prepaid expenses and other current assets	(1,584)	3,210
Deferred contract costs	(6,275)	(4,510)
Other assets	179	452
Accounts payable	(751)	7,392
Accrued compensation and benefits	(2,057)	47
Deferred revenue	(1,955)	5,533
Income taxes payable	(2,837)	1,181
Other liabilities	270	(232)
Net cash provided by operating activities	21,582	37,180
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	(985)	(651)
Purchases of property and equipment	(3,914)	(3,550)
Capitalized software costs	(2,356)	(5,746)
Decrease (increase) in marketable securities	90	(35,465)
Other	174	442
Net cash used in investing activities	(6,991)	(44,970)
Cash flows from financing activities:		
Employee stock transactions	18,955	4,739
Repurchases of common stock	(12,001)	(7,683)
Payments on capital lease obligations	(503)	(816)
Dividends paid	—	(2,131)
Net cash provided by (used in) financing activities	6,451	(5,891)
Net increase (decrease) in cash and cash equivalents	21,042	(13,681)
Cash and cash equivalents, beginning of period	117,372	91,854
Cash and cash equivalents, end of period	\$ 138,414	\$ 78,173

See notes to unaudited condensed consolidated financial statements.

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Notes to Unaudited Condensed Consolidated Financial Statements
For the Three Months and Six Months Ended March 31, 2005 and 2004

In these Notes to Unaudited Condensed Consolidated Financial Statements, the terms the "Company" and "MAXIMUS" refer to MAXIMUS, Inc. and its subsidiaries.

1. Organization and Basis of Presentation

General

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of operations for the three months and six months ended March 31, 2005 are not necessarily indicative of the results that may be expected for the full fiscal year. The balance sheet at September 30, 2004 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In addition to the Company's wholly owned subsidiaries, the financial statements as of and for the three months and six months ended March 31, 2005 include a majority (55%) owned international subsidiary. The minority shareholder's proportionate share of the net loss of the subsidiary was approximately \$81,000 and is included in "Other income, net" in the consolidated statements of income.

These financial statements should be read in conjunction with the audited financial statements at September 30, 2004 and 2003 and for each of the three years in the period ended September 30, 2004, included in the Company's Annual Report on Form 10-K for the year ended September 30, 2004 (File No. 1-12997) filed with the Securities and Exchange Commission on December 10, 2004.

Stock-Based Compensation

The Company currently accounts for stock options using the intrinsic value method in accordance with Accounting Principle Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, as interpreted by Financial Accounting Standards Board (FASB) Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation*. Accordingly, no compensation cost has been recognized for the granting of stock options to our employees and directors as all stock options granted under the plan had an exercise price equal to the market value of the underlying common stock on the date of grant. If stock options granted had been accounted for based on their fair value as determined under FASB Statement No. 123, *Accounting for Stock-Based Compensation*, the net income and net income per share, as adjusted, would have been as follows:

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(in thousands, except per share data)	Three Months Ended March 31,		Six Months Ended March 31,	
	2004	2005	2004	2005
Net income, as reported	\$ 9,507	\$ 9,500	\$ 18,656	\$ 18,549
Add: Stock-based compensation expense included in reported net income, net of taxes	152	144	276	335
Deduct: Stock-based compensation expense determined under fair value based method for all awards, net of taxes	(1,572)	(1,138)	(2,907)	(2,173)
Net income, as adjusted	\$ 8,087	\$ 8,506	\$ 16,025	\$ 16,711
Earnings per share:				
Basic – as reported	\$ 0.44	\$ 0.45	\$ 0.86	\$ 0.87
Basic – as adjusted	\$ 0.37	\$ 0.40	\$ 0.74	\$ 0.78
Diluted – as reported	\$ 0.43	\$ 0.44	\$ 0.84	\$ 0.86
Diluted – as adjusted	\$ 0.36	\$ 0.39	\$ 0.73	\$ 0.77

2. Comprehensive Income

Comprehensive income includes net income, plus changes in the net unrealized gain (loss) on investments, net of taxes, and changes in cumulative foreign currency translation adjustments. Such adjustments were not material for the periods presented. Accordingly, comprehensive income closely approximates net income.

3. Deferred Contract Costs

Deferred contract costs consist of recoverable direct set-up costs relating to long-term service contracts in progress. These costs include system development and facility build-out costs totaling \$18.5 million and \$24.5 million at September 30, 2004 and March 31, 2005, respectively, of which \$7.6 million consist of leased equipment. Deferred contract costs are expensed ratably as services are provided under the contracts. Amortization of deferred contract costs was \$0.9 million and \$1.8 million for the three months and six months ended March 31, 2005, respectively.

4. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill, by each of the Company's business segments, for the six months ended March 31, 2005 are as follows (in thousands):

	Consulting	Systems	Operations	Total
Balance as of September 30, 2004	\$ 6,811	\$ 44,559	\$ 33,516	\$ 84,886
Goodwill activity during period	14	637	—	651
Balance as of March 31, 2005	\$ 6,825	\$ 45,196	\$ 33,516	\$ 85,537

The following table sets forth the components of intangible assets (in thousands):

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	As of September 30, 2004			As of March 31, 2005		
	Cost	Accumulated Amortization	Intangible Assets, net	Cost	Accumulated Amortization	Intangible Assets, net
Non-competition agreements	\$ 3,475	\$ 2,994	\$ 481	\$ 3,475	\$ 3,068	\$ 407
Technology-based intangibles	4,870	756	4,114	4,870	1,200	3,670
Customer contracts and relationships	7,475	2,263	5,212	7,475	2,773	4,702
Total	\$ 15,820	\$ 6,013	\$ 9,807	\$ 15,820	\$ 7,041	\$ 8,779

Intangible assets from acquisitions are amortized over five to ten years. The weighted-average amortization period for intangible assets is approximately seven years. Intangible amortization expense was \$0.5 million and \$1.0 million for the three months and six months ended March 31, 2005, respectively. The estimated amortization expense for the years ending September 30, 2005, 2006, 2007, 2008 and 2009 is \$2.1 million, \$2.0 million, \$2.0 million, \$1.6 million and \$1.1 million, respectively.

5. Commitments and Contingencies

Litigation

In the third quarter of fiscal 2004, the Company learned that two former employees who were principals in a small business MAXIMUS acquired in 2000 had signed fraudulent guarantees on behalf of MAXIMUS for computer equipment leases. Some of that equipment appears to have been used in businesses unrelated to MAXIMUS. The Company did not have knowledge of the leases or guarantees. Solarcom LLC, the leasing company, demanded \$31.0 million from MAXIMUS under the guarantees, which amount represents the remaining payments under the leases. Solarcom subsequently filed suit against MAXIMUS on August 17, 2004 in state court in Gwinnett County, Georgia. On August 6, 2004, De Lage Landen Financial Services, Inc. sued MAXIMUS and Solarcom in the federal District Court for the Eastern District of Pennsylvania seeking damages of at least \$10.0 million. On August 24, 2004, Fleet Business Credit sued MAXIMUS and Solarcom in the federal District Court for the Northern District of Georgia seeking damages of approximately \$8.0 million. Solarcom had sold and assigned certain of the lease payments to De Lage Landen and Fleet Business Credit. The Solarcom and Fleet Business Credit Services actions were consolidated in the federal District Court for the Northern District of Georgia on September 29, 2004. The Company believes the amounts claimed by De Lage Landen and Fleet Business Credit are part of the \$31.0 million demanded by Solarcom. Because the guarantees were fraudulently signed, and because the leasing company did not perform appropriate due diligence, the Company believes that it is not liable under the guarantees and will vigorously contest any claim for payment. The Company has also reported the matter to law enforcement authorities, and has filed claims against the former employees. Those claims have been referred to arbitration for resolution. Although there can be no assurance of a favorable outcome, the Company does not believe that these actions will have a material adverse effect on its financial condition or results of operations, and the Company has not accrued for any loss related to this action.

In October 2004, MAXIMUS received a subpoena from the U.S. Attorney's Office for the District of Columbia. The subpoena requested records pertaining to the Company's work for the District of Columbia, primarily in the area of assisting in the submission and payment of federal Medicaid reimbursement claims prepared on behalf of the District of Columbia. The U.S. Attorney's Office appears to be investigating issues pertaining to compliance with federal health care laws. MAXIMUS does not believe it has violated those laws and is cooperating fully with the U.S. Attorney's Office. Although there can be no assurance of a favorable outcome, the Company does not believe that this matter will have a material adverse effect on its financial condition or results of operations, and the Company has not accrued for any loss related to this matter.

The Company is involved in various other legal proceedings, including contract claims, in the ordinary

course of its business. Management does not expect the ultimate outcome of these legal proceedings to have in the aggregate a material adverse effect on the Company's financial condition or its results of operations.

Credit Facilities

In June 2003, in connection with a long-term contract, the Company issued a standby letter of credit in an initial amount of up to \$20.0 million, which amount was reduced to \$10.0 million on April 1, 2005. The letter of credit, which expires on March 31, 2009, may be called by the customer in the event the Company defaults under the terms of the contract. The letter of credit contains financial covenants that establish minimum levels of tangible net worth and earnings before interest, tax, depreciation and amortization (EBITDA) and require the maintenance of certain cash balances. The Company was in compliance with all covenants at March 31, 2005.

Lease Obligations

On July 15, 2003, the Company entered into a capital lease financing arrangement with a financial institution, whereby the Company may acquire assets pursuant to an equipment lease agreement. Rental payments for assets leased are payable over a 60-month period at an interest rate of 4.05% commencing in January 2004. On March 29, 2004, the Company entered into a supplemental capital lease financing arrangement with the same financial institution whereby the Company may acquire additional assets pursuant to an equipment lease agreement. Rental payments for assets leased under the supplemental arrangement are payable over a 57-month period at an interest rate of 3.61% commencing in April 2004. Capital lease obligations of approximately \$6.6 million and \$5.9 million were outstanding related to these lease arrangements for new equipment at September 30, 2004 and March 31, 2005, respectively.

6. Earnings Per Share

The following table sets forth the components of basic and diluted earnings per share (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2004	2005	2004	2005
Numerator:				
Net income	\$ 9,507	\$ 9,500	\$ 18,656	\$ 18,549
Denominator:				
Basic weighted average shares outstanding	21,796	21,304	21,586	21,305
Effect of dilutive securities:				
Employee stock options and unvested restricted stock awards	466	308	512	273
Denominator for diluted earnings per share	22,262	21,612	22,098	21,578

7. Stock Repurchase Program

Under resolutions adopted in May 2000, July 2002, and March 2003, the Board of Directors has authorized the repurchase, at management's discretion, of up to an aggregate of \$90.0 million of the Company's common stock. In addition, in June 2002, the Board of Directors authorized the use of option exercise proceeds for the repurchase of the Company's common stock. During the three months and six months ended March 31, 2005, the Company repurchased approximately 102,000 shares and

8. Stock Option Plans

In May 2002, the Company issued 170,000 Restricted Stock Units (RSUs) to certain executive officers and employees under its 1997 Equity Incentive Plan ("Plan"). The grant-date fair value of each RSU was \$30.14. In March 2004, the Company issued 96,800 RSUs to certain executive officers and employees under the Plan with a grant-date fair value of \$34.90 for each RSU. In November 2004, the Company issued 35,000 RSUs to certain employees under the Plan with a grant-date fair value of \$28.50 for each RSU. These RSUs vest ratably over six years with full vesting upon the sixth anniversary of the date of grant, provided, however, that the vesting will accelerate if the Company meets certain earnings targets determined by the Board of Directors. The fair value of the RSUs at the grant date is amortized to expense over the vesting period. Compensation expense recognized related to these RSUs was approximately \$0.3 million and \$0.6 million for the three months and six months ended March 31, 2005, respectively.

For the six months ended March 31, 2005, approximately 185,000 stock options were exercised under the Company's stock option plan and approximately 37,000 RSUs vested.

9. Segment Information

The following table provides certain financial information for each of the Company's business segments (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2004	2005	2004	2005
Revenue:				
Consulting	\$ 24,764	\$ 25,394	\$ 51,436	\$ 49,790
Systems	36,476	33,710	69,769	68,511
Operations	89,467	94,947	168,396	188,245
Total	\$ 150,707	\$ 154,051	\$ 289,601	\$ 306,546
Income from Operations:				
Consulting	\$ 1,615	\$ 678	\$ 5,297	\$ 1,582
Systems	4,790	3,111	8,221	8,159
Operations	8,542	10,353	16,198	18,653
Consolidating adjustments	431	859	593	1,463
Total	\$ 15,378	\$ 15,001	\$ 30,309	\$ 29,857

10. Recent Accounting Pronouncements

On December 16, 2004, the FASB issued Statement No. 123 (revised 2004), *Share-Based Payment*, which is a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation*. Statement 123(R) supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and amends FASB Statement No. 95, *Statement of Cash Flows*. Generally, the approach in Statement 123(R) is similar to the approach described in Statement 123. However, Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosures are no longer an alternative.

Statement 123(R) must be adopted no later than October 1, 2005 for September 30, 2005 year end companies. Early adoption will be permitted in periods in which financial statements have not yet been issued. We expect to adopt Statement 123(R) on October 1, 2005. Statement 123(R) permits public companies to adopt its requirements using one of two methods:

1. A "modified prospective" method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of Statement 123(R) for all share-based payments granted after the effective date; and (b) based on the requirements of Statement 123 for all awards granted to employees prior to the effective date of Statement 123(R) that remain unvested on the effective date.
2. A "modified retrospective" method which includes the requirements of the modified prospective method described above, but also permits entities to restate based on the amounts previously recognized under Statement 123 for purposes of pro forma disclosures for all prior periods presented.

The Company is currently evaluating which of the two methods it will use to adopt the requirements of Statement 123(R).

As permitted by Statement 123, the Company currently accounts for share-based payments to employees using APB Opinion No. 25's intrinsic value method and, as such, recognizes no compensation cost for employee stock options. Accordingly, the adoption of Statement 123(R)'s fair value method will have an impact on our result of operations, although it will have no impact on our overall financial position. The impact of adoption of Statement 123(R) will depend on levels of share-based payments granted in the future; however, the Company expects the impact of adoption to be approximately \$0.05 per diluted share for the quarter ended December 31, 2005. Had we adopted Statement 123(R) in prior periods, the impact of that standard would have approximated the impact of Statement 123 as described in the disclosure of pro forma net income and earnings per share under "*Stock-Based Compensation*" in Note 1 to our condensed consolidated financial statements.

Statement 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. While the Company cannot estimate what those amounts will be in the future (because they depend on, among other things, when employees exercise stock options), the amount of operating cash flows recognized in prior periods for such excess tax deductions were \$3.3 million and \$1.0 million for the six months ended March 31, 2004 and 2005, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis is provided to enhance the understanding of, and should be read in conjunction with, our Consolidated Financial Statements

and related Notes included both herein and in our Annual Report on Form 10-K for the year ended September 30, 2004 filed with the Securities and Exchange Commission on December 10, 2004.

Business Overview

We are a leading provider of consulting, systems solutions and operations program management primarily to government. Since our inception, we have been at the forefront of innovation in meeting our mission of "Helping Government Serve the People®." We use our expertise, experience and advanced information technology to make government operations more efficient while improving the quality of services provided to program beneficiaries. We operate primarily in the United States, and we have had contracts with government agencies in all 50 states. We have been profitable every year since we were founded in 1975. For the fiscal year ended September 30, 2004, we had revenue of \$603.8 million and net income of \$38.8 million. For the six months ended March 31, 2005, we had revenue of \$306.5 million and net income of \$18.5 million.

Results of Operations

Consolidated

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

(dollars in thousands, except per share data)	Three months ended March 31,		Six months ended March 31,	
	2004	2005	2004	2005
Revenue	\$ 150,707	\$ 154,051	\$ 289,601	\$ 306,546
Gross profit	\$ 44,631	\$ 43,715	\$ 87,214	\$ 88,120
Operating income	\$ 15,378	\$ 15,001	\$ 30,309	\$ 29,857
Operating margin percentage	10.2%	9.7%	10.5%	9.7%
Selling, general and administrative expense	\$ 29,253	\$ 28,714	\$ 56,905	\$ 58,263
Selling, general and administrative expense as a percentage of revenue	19.4%	18.6%	19.6%	19.0%
Net income	\$ 9,507	\$ 9,500	\$ 18,656	\$ 18,549
Earnings per share:				
Basic	\$ 0.44	\$ 0.45	\$ 0.86	\$ 0.87
Diluted	\$ 0.43	\$ 0.44	\$ 0.84	\$ 0.86

Our consolidated revenue increased 2.2% for the three months ended March 31, 2005 compared to the same period in fiscal 2004. Excluding revenue related to acquisitions, we had an overall increase in revenue of 1.4% for the three months ended March 31, 2005 compared to the same period in fiscal 2004. For the six months ended March 31, 2005 compared to the same period in fiscal 2004, our revenue increased 5.9%. Excluding revenue related to acquisitions, we had an overall increase in revenue of 5.0% for the six months

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ended March 31, 2005 compared to the same period in fiscal 2004. As discussed in more detail below, the changes in revenue are attributed primarily to results from our Operations Segment.

Our operating margin was 9.7% for the three months ended March 31, 2005, compared to 10.2% for the same period in fiscal 2004. For the six months ended March 31, 2005, our operating margin was 9.7% compared to 10.5% for the same period in fiscal 2004. As discussed in more detail below, the changes in operating margins are attributed primarily to the lower profitability of our Consulting Segment and improved operating margin from our Operations Segment.

Selling, general and administrative expense (SG&A) consists of costs related to general management, marketing and administration. These costs include salaries, benefits, bid and proposal efforts, travel, recruiting, continuing education, employee training, non-chargeable labor costs, facilities costs, printing, reproduction, communications, equipment depreciation, intangible amortization and non-cash equity based compensation. SG&A decreased for the three months ended March 31, 2005 compared to the same period in fiscal 2004 due to management's focus on SG&A cost management. During the first quarter of fiscal 2005, we implemented certain cost reduction actions, the benefit of which we started to realize in the second quarter of fiscal 2005. Our SG&A as a percentage of revenue improved to 18.6% for the three months ended March 31, 2005 compared to 19.4% for the same period in fiscal 2004, and to 19.0% for the six months ended March 31, 2005 compared to 19.6% for the same period in fiscal 2004.

Also included in SG&A is approximately \$0.3 million of non-cash equity-based compensation expense for each of the three months ended March 31, 2005 and 2004, respectively, and approximately \$0.6 million and \$0.5 million for the six months ended March 31, 2005 and 2004, respectively. This expense relates to restricted stock units issued in May 2002, March 2004 and November 2004. In future periods, the quarterly amortization expense related to these restricted stock units is estimated to be approximately \$0.3 million, which amount may increase if certain earnings targets are achieved.

Our provision for income taxes for each of the three months and six months ended March 31, 2004 and 2005 was 39.5% of income before income taxes.

Net income for the three months ended March 31, 2005 was \$9.5 million, or \$0.44 per diluted share, compared with net income of \$9.5 million, or \$0.43 per diluted share, for the same period in fiscal 2004. Net income for the six months ended March 31, 2005 was \$18.5 million, or \$0.86 per diluted share, compared with net income of \$18.7 million, or \$0.84 per diluted share, for the same period in fiscal 2004.

Consulting Segment

(dollars in thousands)	Three months ended March 31,		Six months ended March 31,	
	2004	2005	2004	2005
Revenue	\$ 24,764	\$ 25,394	\$ 51,436	\$ 49,790
Gross profit	\$ 9,949	\$ 9,193	\$ 21,523	\$ 18,626
Operating income	\$ 1,615	\$ 678	\$ 5,297	\$ 1,582
Operating margin percentage	6.5%	2.7%	10.3%	3.2%

The Consulting Segment is primarily comprised of management and financial services, which includes revenue maximization services, cost services, child welfare, and the education practice area such as education systems (student information systems) and educational services that provides school-based claiming. Revenue from our

Consulting Segment increased 2.5% for the three months ended March 31, 2005 compared to the same period in fiscal 2004. This increase was primarily attributable to growth in the education practice area, which

offset revenue declines in the financial services practice area. Revenue decreased 3.2% for the six months ended March 31, 2005 compared to the same period in fiscal 2004. This decrease was primarily attributable to revenue reductions in the management and financial services practice area, which includes contingency-based contracts where revenue and profit contributions can fluctuate, as well as the downsizing of our activity-based costing practice. Operating margin declined to 2.7% for the three months ended March 31, 2005 from 6.5% for the same period in fiscal 2004, and declined to 3.2% for the six months ended March 31, 2005 from 10.3% for the same period in fiscal 2004. These decreases were primarily attributable to weaker results from our revenue services division offset by improved profitability in our educational services division.

Systems Segment

(dollars in thousands)	Three months ended March 31,		Six months ended March 31,	
	2004	2005	2004	2005
Revenue	\$ 36,476	\$ 33,710	\$ 69,769	\$ 68,511
Gross profit	\$ 14,924	\$ 12,821	\$ 28,710	\$ 27,750
Operating income	\$ 4,790	\$ 3,111	\$ 8,221	\$ 8,159
Operating margin percentage	13.1%	9.2%	11.8%	11.9%

The Systems Segment develops and implements both third party and proprietary software such as justice, asset, and enterprise resource planning (ERP) solutions. Revenue from our Systems Segment decreased 7.6% for the three months ended March 31, 2005 compared to the same period in fiscal 2004, and decreased 1.8% for the six months ended March 31, 2005 compared to the same period in fiscal 2004. These decreases were primarily attributable to certain System Segment project cycles. In the second quarter of fiscal 2004, the Systems Segment had certain large contracts that were at the height of their project cycles, including the Transportation Workers Identification Card pilot program, two ERP contracts and a number of other contracts, and provided significant revenue and profit contributions during the three months ended March 31, 2004. Operating margin decreased to 9.2% for the three months ended March 31, 2005 from 13.1% for the same period in fiscal 2004. This decrease was primarily due to the aforementioned project cycles which also contributed a higher level of operating income in the second quarter of 2004. Operating margin increased slightly to 11.9% for the six months ended March 31, 2005 from 11.8% for the same period in fiscal 2004.

Operations Segment

(dollars in thousands)	Three months ended March 31,		Six months ended March 31,	
	2004	2005	2004	2005
Revenue	\$ 89,467	\$ 94,947	\$ 168,396	\$ 188,245
Gross profit	\$ 19,758	\$ 21,701	\$ 36,981	\$ 41,744
Operating income	\$ 8,542	\$ 10,353	\$ 16,198	\$ 18,653
Operating margin percentage	9.5%	10.9%	9.6%	9.9%

The Operations Segment includes our health operations and human services operations. Revenue from our Operations Segment increased 6.1% for the three months ended March 31, 2005 compared to the same period in fiscal 2004 and increased 11.8% for the six months ended March 31, 2005 compared to the same period in fiscal 2004. These increases were attributable to growth in our Health Services practice driven by increased contributions from the California Healthy Families contract as well as new federal work in our medical management practice. Operating margin increased to 10.9% for the three months ended March 31,

2005 from 9.5% for the same period in fiscal 2004, and increased to 9.9% for the six months ended March 31, 2005 from 9.6% for the same period in fiscal 2004. These increases were primarily attributable to profit expansion in certain eastern and western division contracts and increased operating income from the medical management practice.

Other Income, Net

(dollars in thousands)	Three months ended March 31,		Six months ended March 31,	
	2004	2005	2004	2005
Interest and other income, net	\$ 336	\$ 703	\$ 528	\$ 803
Percentage of revenue	0.2%	0.5%	0.2%	0.3%

The overall increase in interest and other income for the three months and six months ended March 31, 2005 compared to the same period in fiscal 2004 was due primarily to the higher interest rates earned on our invested cash, as well as approximately \$81,000 of a minority shareholder's proportionate share of the net loss of an international subsidiary.

Liquidity and Capital Resources

	Six months ended March 31,	
	2004	2005
(dollars in thousands)		
Net cash provided by (used in):		
Operating activities	\$ 21,582	\$ 37,180
Investing activities	(6,991)	(44,970)
Financing activities	6,451	(5,891)
Net increase in cash and cash equivalents	\$ 21,042	\$ (13,681)

For the six months ended March 31, 2005, cash provided by our operations was \$37.2 million as compared to \$21.6 million for the same period in fiscal 2004. Cash provided by operating activities for the six months ended March 31, 2005 consisted of net income of \$18.5 million and non-cash items aggregating \$15.0 million, plus cash provided by working capital of \$3.7 million. Non-cash items consisted of \$6.9 million of depreciation and amortization, \$1.1 million from the income tax benefit of option exercises, \$6.4 million from deferred income tax benefits, and \$0.6 million from non-cash equity based compensation. The net cash provided by working capital changes reflected increases in accounts receivable-billed, net, of \$3.6 million, accounts receivable-unbilled of \$5.8 million and deferred contract costs of \$4.5 million, offset by increases in accounts payable of \$7.4 million, deferred revenue of \$5.5 million and income taxes payable of \$1.2 million and a decrease in prepaid expense of \$3.2 million. Other working capital changes providing cash were decreases in other assets of \$0.5 million, offset by decreases in other liabilities of \$0.2 million. Management expects that the favorable effect of the increased accounts payable during the three months ended March 31, 2005 may be reversed in subsequent periods due to the timing of payments.

For the six months ended March 31, 2004, cash provided by our operations was \$21.6 million consisting primarily of net income of \$18.7 million plus non-cash items aggregating \$20.1 million, offset by net uses of working capital of \$17.2 million. Non-cash items included \$6.3 million of depreciation and amortization, \$3.4 million from the income tax benefit of option exercises, \$9.9 million from deferred income taxes and \$0.5 million from non-cash equity based compensation. The net uses of working capital changes reflected decreases in accounts receivable-billed of \$9.9 million, offset by increases in accounts receivable-unbilled of \$12.0 million, prepaid expenses of \$1.6 million and deferred contract costs of \$6.3 million as well as decreases in accrued compensation and benefits payable of \$2.1 million, deferred revenue of \$2.0 million, income taxes payable of \$2.8 million and accounts payable of \$0.8 million. Other working capital changes providing cash were decreases in

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other assets of \$0.2 million, offset by increases in other liabilities of \$0.3 million.

For the six months ended March 31, 2005, cash used in investing activities was \$45.0 million as compared to \$7.0 million for the same period in fiscal 2004. Cash used in investing activities for the six months ended March 31, 2005 consisted of \$35.5 million in purchases of marketable securities, \$0.7 million for business acquisitions, \$5.7 million in expenditures for capitalized software costs, \$3.5 million in purchases of property and equipment, offset by a \$0.4 million decrease in other items. Cash used in investing activities for the six months ended March 31, 2004 primarily consisted of expenditures for capitalized software costs of \$2.4 million, purchases of property and equipment of \$3.9 million, and business acquisitions of \$1.0 million, offset by a \$0.3 decrease in other items.

For the six months ended March 31, 2005, cash used in financing activities was \$5.9 million as compared to cash provided by financing activities of \$6.5 million for the same period in fiscal 2004. Cash used in financing activities for the six months ended March 31, 2005 consisted of approximately \$7.7 million of common stock repurchases, \$0.8 million of principal payments on capital leases and \$2.1 million of dividends paid, offset by \$4.7 million of sales of stock to employees through our Employee Stock Purchase Plan and Equity Incentive Plan. Cash provided by financing activities for the six months ended March 31, 2004 primarily consisted of \$19.0 million of employee stock transactions, offset by \$12.0 million of common stock repurchases and \$0.5 million of principal payments on capital leases.

Under resolutions adopted in May 2000, July 2002, and March 2003, the Board of Directors has authorized the repurchase, at management's discretion, of up to an aggregate of \$90.0 million of our common stock. In addition, in June 2002, the Board of Directors authorized the use of option exercise proceeds for the repurchase of our common stock. During the six months ended March 31, 2004 and 2005, we repurchased approximately 337,000 and 248,000 shares, respectively. At March 31, 2005, approximately \$28.8 million remained available for future stock repurchases under the program.

Our working capital at March 31, 2005 was approximately \$240.8 million. At March 31, 2005, we had cash, cash equivalents, and marketable securities of \$161.3 million and no debt, except for lease obligations. Management believes this liquidity and financial position will allow us to continue our stock repurchase program (depending on the price of the Company's common stock), to pursue selective acquisitions, and to consider the continuation of dividends on a quarterly basis. Restricted cash represents amounts collected on behalf of certain customers and its use is restricted to the purposes specified under our contracts with these customers.

Under the provisions of certain long-term contracts, we may incur certain reimbursable transition period costs. During the transition period, these expenditures may result in the use of our cash and in our entering into lease financing arrangements for a portion of the costs. Reimbursement of these costs may occur in the set-up phase or over the contract operating period. Related revenue may also be deferred during the set-up phase. As of March 31, 2005, approximately \$20.0 million in net costs had been incurred and reported as deferred contract costs on our March 31, 2005 consolidated balance sheet. Also under the provisions of a long-term contract, we issued a standby letter of credit in an initial amount of up to \$20.0 million, which amount was reduced to \$10.0 million on April 1, 2005. The letter of credit, which expires on March 31, 2009, may be called by a customer in the event we default under the terms of the contract. The letter of credit contains financial covenants that establish minimum levels of tangible net worth and earnings before interest, tax, depreciation and amortization (EBITDA) and require the maintenance of certain cash balances. We were in compliance with all covenants at March 31, 2005.

In July 2003, we entered into a capital lease financing arrangement with a financial institution whereby we may acquire assets pursuant to an equipment lease agreement. Rental payments for assets leased are payable over a 60-month period at an interest rate of 4.05% commencing in January 2004. In March 2004, we entered into a supplemental capital lease financing arrangement with the same financial institution whereby we may acquire

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additional assets pursuant to an equipment lease agreement. Rental payments for assets leased under the supplemental arrangement are payable over a 57-month period at an interest rate of 3.61% commencing in April 2004. At March 31, 2005, capital lease obligations of approximately \$5.9 million were outstanding related to these lease arrangements for new equipment.

At March 31, 2005, we classified accounts receivable of approximately \$4.4 million, net of a \$0.7 million reserve, as long-term receivables and reported them within the other assets category on our March 31, 2005 consolidated balance sheet. These receivables have extended payment terms and collection is expected to exceed one-year.

On April 12, 2005, the Company's Board of Directors declared a quarterly cash dividend of \$0.10 for each share of the Company's common stock outstanding. The dividend is payable on or about May 31, 2005 to shareholders of record on May 13, 2005. Based on the current number of shares outstanding, the payment will be approximately \$2.1 million.

We believe that we will have sufficient resources to meet our currently anticipated capital expenditure and working capital requirements for at least the next twelve months.

Critical Accounting Policies and Estimates

Our discussion and analysis of financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and the reported amounts of revenue and expenses. On an ongoing basis, we evaluate our estimates including those related to revenue recognition and cost estimation on certain contracts, the realizability of goodwill, and amounts related to income taxes, certain accrued liabilities and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from those estimates.

We believe that we do not have significant off-balance sheet risk or exposure to liabilities that are not recorded or disclosed in our financial statements. While we have significant operating lease commitments for office space, those commitments are generally tied to the period of performance under related contracts. Additionally, although on certain contracts we are bound by performance bond commitments and standby letters of credit, we have not had any defaults resulting in draws on performance bonds or letters of credit. Also, we do not speculate in derivative transactions.

We believe the following critical accounting policies affect the significant judgments and estimates used in the preparation of our consolidated financial statements:

Revenue Recognition. In fiscal 2004, approximately 83% of our total revenue was derived from state and local government agencies; 7% from federal government agencies; and 10% from other sources, such as foreign and commercial customers. Revenue is generated from contracts with various pricing arrangements, including: (1) fixed-price; (2) performance-based criteria; (3) costs incurred plus a negotiated fee (“cost-plus”); and (4) time and materials. Also, some contracts contain “not-to-exceed” provisions. For fiscal 2004, revenue from fixed-price contracts was approximately 37% of total revenue; revenue from performance-based contracts was approximately 33% of total revenue; revenue from cost-plus contracts was approximately 18% of total revenue; and revenue from time and materials contracts was approximately 12% of total revenue. A majority of the contracts with state and local government agencies have been fixed-price and performance-based, and our contracts with the federal government generally have been cost-plus. Fixed-price and performance-based

contracts generally offer higher margins but typically involve more risk than cost-plus or time and materials reimbursement contracts.

We recognize revenue on fixed-priced contracts when earned, as services are provided. For certain fixed price contracts, primarily systems design, development and implementation, we recognize revenue based on costs incurred using estimates of total expected contract revenue and costs to be incurred. The cumulative impact of any revisions in estimated revenue and costs is recognized in the period in which the facts that give rise to the revision become known. For other fixed-price contracts, revenue is recognized on a straight-line basis unless evidence suggests that revenue is earned or obligations are fulfilled in a different pattern. With fixed-price contracts, we are subject to the risk of potential cost overruns. Provisions for estimated losses on incomplete contracts are provided in full in the period in which such losses become known. We recognize revenue on performance-based contracts as such revenue becomes fixed or determinable, which generally occurs when amounts are billable to customers. For certain contracts, this may result in revenue being recognized in irregular increments. Additionally, costs related to contracts may be incurred in periods prior to recognizing revenue. These costs are generally expensed. However, certain direct and incremental set up costs may be deferred until services are provided and revenue begins to be recognized, when such costs are recoverable from a contractual arrangement. Set up costs are costs related to activities that enable us to provide contractual services to a client. These factors may result in irregular revenue and profit margins.

Revenue on cost-plus contracts is recognized based on costs incurred plus an estimate of the negotiated fee earned. Revenue on time and materials contracts is recognized based on hours worked and expenses incurred.

Our most significant expense is cost of revenue, which consists primarily of project-related costs such as employee salaries and benefits, subcontractors, computer equipment and travel expenses. Our management uses its judgment and experience to estimate cost of revenue expected on projects. Our management’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 gross margins related to our fixed-price, performance-based and time and materials contracts. If actual costs are higher than our management’s estimates, profitability may be adversely affected. Service cost variability has little impact on cost-plus arrangements because allowable costs are reimbursed by the customer.

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

Beginning July 1, 2003, EITF 00-21, *Revenue Arrangements with Multiple Deliverables*, requires contracts with multiple deliverables to be divided into separate units of accounting if certain criteria are met. While EITF 00-21 has not had a material impact on our financial statements, we apply the guidance therein and recognize revenue on multiple deliverables as separate units of accounting if the criteria are met.

Impairment of Goodwill. We adhere to the Financial Accounting Standards Board’s Statements of Financial Accounting Standards No. 141, *Business Combinations* (“FAS 141”), and No. 142, *Goodwill and Other Intangible Assets* (“FAS 142”). Under these rules, goodwill is not amortized but is subject to annual

impairment tests in accordance with FAS 141 and FAS 142. Goodwill is tested on an annual basis, or more frequently as impairment indicators arise. Annual impairment tests involve the use of estimates related to the fair market values of our reporting units with which goodwill is associated. Losses, if any, resulting from annual impairment tests will be reflected in operating income in our income statement.

Capitalized Software Development Costs. Capitalized software development costs are capitalized in accordance with FAS No. 86, *Accounting for the Cost of Computer Software to be Sold, Leased, or Otherwise Marketed*. We capitalize both purchased software that is ready for resale and costs incurred internally for software development projects from the time technological feasibility is established. Capitalized software development costs are reported at the lower of unamortized cost or estimated net realizable value. Upon the general release of the software to customers, capitalized software development costs for the products are amortized based on the straight-line method of amortization over the remaining estimated economic life of the product, which ranges from three to five years. The establishment of technological feasibility and the ongoing assessment for recoverability of capitalized development costs require considerable judgment by management including, but not limited to, technological feasibility, anticipated future gross revenues, estimated economic life, and changes in software and hardware technologies. Any changes to these estimates could impact the amount of amortization expense and the amount recognized as capitalized software development costs in the consolidated balance sheet.

Deferred Contract Costs. Deferred contract costs consist of recoverable direct and incremental set-up costs relating to long-term service contracts. These costs include system development and facility build-out costs that are expensed ratably as services are provided under the contracts.

Forward Looking Statements

From time to time, we may make forward-looking statements that are not historical facts, including statements about our confidence and strategies and our expectations about revenue, results of operations, profitability, current and future contracts, market opportunities, market demand or acceptance of our products and services. Any statements contained in this Quarterly Report on Form 10-Q that are not statements of historical fact may be forward-looking statements. The words “could,” “estimate,” “future,” “intend,” “may,” “opportunity,” “potential,” “project,” “will,” “believes,” “anticipates,” “plans,” “expect” and similar expressions are intended to identify forward-looking statements. These statements may involve risks and uncertainties that could cause our actual results to differ materially from those indicated by such forward-looking

statements. Examples of these risks include reliance on government customers; risks associated with government contracting; risks involved in managing government projects; legislative changes and political developments; opposition from government unions; challenges resulting from growth; and adverse publicity. These and additional risks are detailed in Exhibit 99.1 to this Quarterly Report on Form 10-Q and incorporated herein by reference.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We believe that our exposure to market risk related to the effect of changes in interest rates, foreign currency exchange rates and equity prices with regard to instruments entered into for trading or for other purposes is not significant.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as

defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our principal executive officer and principal financial officer concluded that these disclosure controls and procedures are effective and designed to ensure that the information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the requisite time periods.

(b) Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of our internal control that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

In the third quarter of fiscal 2004, the Company learned that two former employees who were principals in a small business MAXIMUS acquired in 2000 had signed fraudulent guarantees on behalf of MAXIMUS for computer equipment leases. Some of that equipment appears to have been used in businesses unrelated to MAXIMUS. The Company did not have knowledge of the leases or guarantees. Solarcom LLC, the leasing company, demanded \$31.0 million from MAXIMUS under the guarantees, which amount represents the remaining payments under the leases. Solarcom subsequently filed suit against MAXIMUS on August 17, 2004 in state court in Gwinnett County, Georgia. On August 6, 2004, De Lage Landen Financial Services, Inc. sued MAXIMUS and Solarcom in the federal District Court for the Eastern District of Pennsylvania seeking damages of at least \$10.0 million. On August 24, 2004, Fleet Business Credit sued MAXIMUS and Solarcom in the federal District Court for the Northern District of Georgia seeking damages of approximately \$8.0 million. Solarcom had sold and assigned certain of the lease payments to De Lage Landen and Fleet Business Credit. The Solarcom and Fleet Business Credit Services actions were consolidated in the federal District Court for the Northern District of Georgia on September 29, 2004. The Company believes the amounts claimed by De Lage Landen and Fleet Business Credit are part of the \$31.0 million demanded by Solarcom. Because the guarantees were fraudulently signed, and because the leasing company did not perform appropriate due diligence, the Company believes that it is not liable under the guarantees and will vigorously contest any claim for payment. The Company has also reported the matter to law enforcement authorities, and has filed claims against the former employees. Those claims have been referred to arbitration for resolution. Although there can be no assurance of a favorable outcome, the Company does not believe that these actions will have a material adverse effect on its financial condition or results of operations, and the Company has not accrued for any loss related to this action.

In October 2004, MAXIMUS received a subpoena from the U.S. Attorney's Office for the District of Columbia. The subpoena requested records pertaining to the Company's work for the District of Columbia, primarily in the area of assisting in the submission and payment of federal Medicaid reimbursement claims prepared on behalf of the District of Columbia. The U.S. Attorney's Office appears to be investigating issues pertaining to compliance with federal health care laws. MAXIMUS does not believe it has violated those laws and is cooperating fully with the U.S. Attorney's Office. Although there can be no assurance of a favorable outcome, the Company does not believe that this matter will have a material adverse effect on its financial condition or results of operations, and the Company has not accrued for any loss related to this matter.

We are involved in various other legal proceedings, including contract claims, in the ordinary course of its business. We do not expect the ultimate outcome of any of these legal proceedings to have in the aggregate a material adverse effect on our financial condition or our results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(c) The following table sets forth the information required regarding repurchases of common stock that we made during the three months ended March 31, 2005:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan (in thousands)
Jan. 1, 2005 – Jan. 31, 2005	400	\$29.22	400	\$30,160
Feb. 1, 2005 – Feb. 28, 2005	25,000	\$31.22	25,000	\$30,384
Mar. 1, 2005 – Mar. 31, 2005	76,300	\$34.15	76,300	\$28,808
Total	101,700	\$33.41	101,700	

(1) Under resolutions adopted and publicly announced on May 12, 2000, July 10, 2002, and April 2, 2003, our Board of Directors has authorized the repurchase, at management's discretion, of up to an aggregate of \$90.0 million of common stock under our 1997 Equity Incentive Plan. In addition, in June 2002, the Board of Directors authorized the use of option exercise proceeds for the repurchase of our common stock.

Item 4. Submission of Matters to a Vote of Security Holders.

At our Annual Meeting of Shareholders held on March 22, 2005, our shareholders voted as follows:

- (a) To elect Russell A. Beliveau, John J. Haley and Marilyn R. Seymann as Class II Directors of the Company for a three-year term and Raymond B. Ruddy as a Class III Director of the Company for a one-year term.

Nominee	Total Votes For	Total Votes Withheld
Russell A. Beliveau	17,600,599	1,942,087
John J. Haley	17,247,407	2,295,279
Marilyn R. Seymann	18,785,792	756,894
Raymond B. Ruddy	18,858,776	683,910

Lynn P. Davenport, Paul R. Lederer, Peter B. Pond, James R. Thompson and Wellington E. Webb continued their terms in office after the meeting.

- (b) To ratify the appointment of Ernst & Young LLP as our independent public accountants for our 2005 fiscal year.

Total Votes For	19,325,333
Total Votes Against	209,513
Abstentions	7,840

Item 6. Exhibits.

The Exhibits filed as part of this Quarterly Report on Form 10-Q are listed on the Exhibit Index immediately preceding the Exhibits. The Exhibit Index is incorporated herein by reference.

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SIGNATURES

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

MAXIMUS, INC.

Date: May 9, 2005

By: /s/ Richard A. Montoni
Richard A. Montoni
Chief Financial Officer
(On behalf of the registrant and as Principal
Financial and Accounting Officer)

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EXHIBIT INDEX

Exhibit No.	Description
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Section 906 Principal Executive Officer Certification.
32.2	Section 906 Principal Financial Officer Certification.
99.1	Important Factors Regarding Forward Looking Statements.

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Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Lynn P. Davenport, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MAXIMUS, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 9, 2005

/s/ Lynn P. Davenport
Lynn P. Davenport
Chief Executive Officer

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Richard A. Montoni, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MAXIMUS, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 9, 2005

/s/ Richard A. Montoni
Richard A. Montoni
Chief Financial Officer

Section 906 CEO Certification

I, Lynn P. Davenport, Chief Executive Officer of MAXIMUS, Inc. ("the Company"), do hereby certify, under the standards set forth in and solely for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2005 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and

2. The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 9, 2005

/s/ Lynn P. Davenport
Lynn P. Davenport
Chief Executive Officer

Section 906 CFO Certification

I, Richard A. Montoni, Chief Financial Officer of MAXIMUS, Inc. ("the Company"), do hereby certify, under the standards set forth in and solely for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2005 (the "Quarterly Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and

2. The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 9, 2005

/s/ Richard A. Montoni

Richard A. Montoni
Chief Financial Officer

Important Factors Regarding Forward Looking Statements

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

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

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

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

If we fail to satisfy our contractual obligations or meet performance standards, our contracts may be terminated and we may incur significant costs or liabilities, including penalties, which could adversely impact our operating results, financial condition and our ability to compete for future contracts.

Our contracts may be terminated for our failure to satisfy our contractual obligations or to meet performance standards and often require us to indemnify customers. In addition, some of our contracts contain substantial liquidated damages provisions and financial penalties related to performance failures. Although we have liability insurance, the policy coverage and limits may not be adequate to provide protection against all potential liabilities. Further, for certain contracts, we have posted significant performance bonds or issued letters of credit to secure our indemnification and other obligations. If a claim is made against a performance bond or letter of credit, we would be required to reimburse the issuer for the amount of the claim. Consequently, as a result of the above matters, our contracts may be terminated and we may incur significant costs or liabilities, including penalties, which could adversely impact our operating results, financial condition and our ability to compete for future contracts.

If we fail to accurately estimate the factors upon which we base our contract pricing, we may generate less profit than expected or incur losses on those contracts.

We derived approximately 37% of our fiscal 2004 revenue from fixed-price contracts and approximately 33% of our fiscal 2004 revenue from performance-based contracts. For fixed-price contracts, we

receive our fee based on services provided. Those services might include operating a Medicaid enrollment center pursuant to specified standards, designing and implementing computer systems or applications, or delivering a planning document under a consulting arrangement. For performance-based contracts, we receive our fee on a per-transaction basis. These contracts include, for example, child support enforcement contracts, in which we often receive a fee based on the amount of child support collected. To earn a profit on these contracts, we must accurately estimate costs involved and assess the probability of completing individual transactions within the contracted time period. If our estimates prove to be inaccurate, we may not achieve the level of profit we expected or we may incur a net loss on a contract.

If we are unable to manage our growth, our profitability will be adversely affected.

Sustaining our growth places significant demands on our management as well as on our administrative, operational and financial resources. For us to continue to manage our growth, we must continue to improve our operational, financial and management information systems and expand, motivate and manage our workforce. If our growth comes at the expense of providing quality service and generating reasonable profits, our ability to successfully bid for contracts and our profitability will be adversely affected.

Government entities have in the past and may in the future terminate their contracts with us earlier than we expect, which may result in revenue shortfalls.

Many of our government contracts contain base periods of one or more years, as well as option periods covering more than half of the contract's potential duration. Government agencies do not have to exercise these option periods, and they may elect not to exercise them for budgetary, performance, or any other reason. The profitability of some of our contracts could be adversely impacted if the option periods are not exercised. Our contracts also typically contain provisions permitting a government customer to terminate the contract on short notice, with or without cause. The unexpected termination of significant contracts could result in significant revenue shortfalls. If revenue shortfalls occur and are not offset by corresponding reductions in expenses, our business could be adversely affected. We cannot anticipate if, when or to what extent a customer might terminate its contracts with us.

Government unions may oppose outsourcing of government programs to outside vendors such as us, which could limit our market opportunities.

Our success depends in part on our ability to win profitable contracts to administer and manage health and human services programs traditionally administered by government employees. Many government employees, however, belong to labor unions with considerable financial resources and lobbying networks. Unions have in the past applied, and are likely to continue to apply, political pressure on legislators and other officials seeking to outsource government programs. For example, union lobbying was instrumental in influencing the Department of Health and Human Services to deny a petition to allow private corporations to make Food Stamp and Medicaid eligibility determinations in Texas. Union opposition may result in fewer opportunities for us to service government agencies.

We may lose executive officers and senior managers on whom we rely to generate business and execute projects successfully.

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

We may be precluded from bidding and performing certain work due to other work we currently perform.

Various laws and regulations prohibit companies from performing work for government agencies that might be viewed as an actual or apparent conflict of interest. These laws may limit our ability to pursue and perform certain types of work. For example, some of our Consulting Segment divisions assist government agencies in developing requests for proposals (RFPs) for various government programs. In those situations, the divisions involved in operating such programs would likely be precluded from bidding on those RFPs.

Government agencies may investigate and audit our contracts and, if any improprieties are found, we may be required to refund revenue we have received, or forego anticipated revenue, and may be subject to penalties and sanctions, including prohibitions on our bidding in response to RFPs.

The government agencies we contract with have the authority to audit and investigate our contracts with them. As part of that process, the government agency reviews our performance on the contract, our pricing practices, our cost structure and our compliance with applicable laws, regulations and standards. If the agency determines that we have improperly allocated costs to a specific contract, we will not be reimbursed for those costs and we will be required to refund the amount of any such costs that have been reimbursed. If a government audit uncovers improper or illegal activities by us or we otherwise determine that these activities have occurred, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeitures of profits, suspension of payments, fines and suspension or disqualification from doing business with the government. Any adverse determination could adversely impact our ability to bid in response to RFPs in one or more jurisdictions.

We may incur significant costs before receiving related contract payments that could result in increasing the use of cash and accounts receivable.

When we are awarded a contract, we may incur significant expenses before we receive contract payments, if any. These expenses may include leasing office space, purchasing office equipment and hiring personnel. In other situations, contract terms provide for billing upon achievement of specified project milestones. As a result, in these situations, we are required to expend significant sums of money before receiving related contract payments. In addition, payments due to us from government agencies may be delayed due to billing cycles or as a result of failures to approve governmental budgets in a timely manner. These factors could impact us by increasing the use of cash and accounts receivable. Moreover, these impacts could be exacerbated if we fail to either invoice the government agency or collect our fee in a timely manner.

Inaccurate, misleading or negative media coverage could adversely affect our reputation and our ability to bid for government contracts.

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

We obtain most of our business through responses to government RFPs. We may not be awarded contracts through this process in the future and contracts we are awarded may not be profitable.

Substantially all of our customers are government authorities. To market our services to government customers, we are often required to respond to government RFPs which may result in contract awards on a competitive basis. To do so effectively, we must estimate accurately our cost structure for servicing a proposed contract, the time required to establish operations and likely terms of the proposals submitted by competitors. We must also assemble and submit a large volume of information within an RFP's rigid timetable. Our ability to respond successfully to RFPs will greatly impact our business. We may not be awarded contracts through the RFP process and our proposals may not result in profitable contracts.

We may be unable to attract and retain sufficient qualified personnel to sustain our business.

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

- experienced and innovative executive officers;
- senior managers who have successfully managed or designed government services programs; and
- information technology professionals who have designed or implemented complex information technology projects.

Innovative, experienced and technically proficient individuals are in great demand and are likely to remain a limited resource. There can be no assurance that we will be able to continue to attract and retain desirable executive officers and senior managers. Our inability to hire sufficient personnel on a timely basis or the loss of significant numbers of executive officers and senior managers could adversely affect our business.

If we fail to establish and maintain important relationships with government entities and agencies, our ability to successfully bid for RFPs may be adversely affected.

To facilitate our ability to prepare bids in response to RFPs, we rely in part on establishing and maintaining relationships with officials of various government entities and agencies. These relationships enable us to provide informal input and advice to the government entities and agencies prior to the development of an RFP. We also engage marketing consultants, including lobbyists, to establish and maintain relationships with elected officials and appointed members of government agencies. The effectiveness of these consultants may be reduced or eliminated if a significant political change occurs. We may be unable to successfully manage our relationships with government entities and agencies and with elected officials and appointees. Any failure to maintain positive relationships with government entities and agencies may adversely affect our ability to bid successfully in response to RFPs.

The federal government may refuse to grant consents and/or waivers necessary to permit private entities, such as us, to perform certain elements of government programs.

Under current law, in order to privatize certain functions of government programs, the federal government must grant a consent and/or waiver to the petitioning state or local agency. If the federal government does not grant a necessary consent or waiver, the state or local agency will be unable to outsource that function to a private entity, such as us, which could eliminate a contracting opportunity or reduce the value of a contract.

Our business could be adversely affected by future legislative or government budgetary and spending changes.

The market for our services depends largely on federal and state legislative programs and the budgetary capability to support programs, including the continuance of existing programs. These programs can be modified or amended at any time by acts of federal and state governments.

Moreover, part of our growth strategy includes aggressively pursuing new opportunities and continuing to serve existing programs scheduled for re-bid, which are or may be created by federal and state initiatives, principally in the area of health services, human services, and child welfare.

State budgets were adversely impacted by a general economic slowdown in fiscal 2003, creating state budget deficits, which trend, although to a lesser extent, has continued into fiscal 2004 and 2005. All but one state must operate under a balanced budget. There are a number of alternatives to states in managing a possible budget

deficit, including:

- Accessing previously set aside or “rainy day” funds;
- Increasing taxes;
- Elimination or reduction in services;
- Cost containment and savings;
- Pursuit of additional federal assistance; and
- Developing additional sources of revenue, such as the legalization of gaming.

While we believe that the demand for our services remains substantial, and that some service offerings may experience increased demand in the current environment, continued state budget deficits may adversely impact our existing and anticipated business as well as our future financial performance.

Also, changes in federal initiatives or in the level of federal spending due to budgetary or deficit considerations may have a significant impact on our future financial performance. For example, increased or changed spending on defense, security or anti-terrorism threats may impact the level of demand for our services. Many state programs, such as Medicaid, are federally mandated and fully or partially funded by the federal government. Changes, such as program eligibility, benefits, or the level of federal funding may impact the demand for our services. Certain changes may present new opportunities to us and other changes may reduce the level of demand for services provided by us, which would adversely impact our future financial performance.

If we do not successfully integrate the businesses that we acquire, our results of operations could be adversely affected.

Business combinations involve a number of factors that affect operations, including:

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

As a result, we may be unable to profitably manage businesses that we have acquired or that we may acquire or we may fail to integrate them successfully without incurring substantial expenses, delays or other problems that could negatively impact our results of operations.

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

Federal government officials may discourage state and local governmental entities from engaging us, which may result in a decline in revenue.

To avoid higher than anticipated demands for federal funds, federal government officials occasionally discourage state and local authorities from engaging private consultants to advise them on obtaining federal funding reimbursements. If state and local officials are dissuaded from engaging us for revenue maximization services, we will not receive contracts for, or revenue from, those services.

We face competition from a variety of organizations, many of which have substantially greater financial resources than we do; we may be unable to compete successfully with these organizations.

Our Consulting Segment typically competes for consulting contracts with large consulting firms such as Accenture as well as smaller niche players.

Our Systems Segment competes for system products sales and system service contracts with a large number of competitors, including Unisys, SAP, Oracle, Bearing Point, Accenture, Deloitte, Northrop Grumman, and Electronic Data Systems.

Our Operations Segment competes for program management contracts with the following:

- government services divisions of large organizations such as Affiliated Computer Services, Electronic Data Systems, and IBM;
- specialized service providers; and
- local non-profit organizations such as the United Way, Goodwill Industries and Catholic Charities.

Many of these companies are national and international in scope and have greater resources than we have. Substantial resources could enable certain competitors to initiate severe price cuts or take other measures in an effort to gain market share. In addition, we may be unable to compete for the limited number of large contracts because we may not be able to meet an RFP’s requirement to obtain and post a large cash performance bond. Also, in some geographic areas, we face competition from smaller consulting firms with established reputations and political relationships. There can be no assurance that we will be able to compete successfully against our existing or any new competitors.

A number of factors may cause our cash flows and results of operations to vary from quarter to quarter.

Factors which may cause our cash flows and results of operations to vary from quarter to quarter include:

- the terms and progression of contracts;
- the levels of revenue earned and profitability of fixed-price and performance-based contracts;

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- expenses related to certain contracts which may be incurred in periods prior to revenue being recognized;
 - the commencement, completion or termination of contracts during any particular quarter;

- the schedules of government agencies for awarding contracts;
- the term of awarded contracts; and
- potential acquisitions.

Changes in the volume of activity and the number of contracts commenced, completed or terminated during any quarter may cause significant variations in our cash flows and results of operations because a large amount of our expenses are fixed.

Our articles of incorporation and bylaws include provisions that may have anti-takeover effects.

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