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 December 31, 2007

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)	**54-1000588** (I.R.S. Employer Identification No.)
11419 Sunset Hills Road **Reston, Virginia** (Address of principal executive offices)	**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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

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

As of January 31, 2008, there were 18,498,626 shares of the registrant's common stock (no par value) outstanding.

MAXIMUS, Inc.

**Quarterly Report on Form 10-Q
For the Quarter Ended December 31, 2007**

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements.

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

	September 30, 2007 (Note 1)	December 31, 2007 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 70,472	$ 62,279
Marketable securities	126,210	50
Restricted cash	325	325
Accounts receivable — billed, net of reserves of $30,526 and $28,878	132,962	119,267
Accounts receivable — unbilled	42,200	49,771
Deferred income taxes	17,409	11,267
Prepaid expenses and other current assets	9,159	7,688
Total current assets	398,737	250,647
Property and equipment, at cost	83,823	86,356
Less accumulated depreciation and amortization	(47,922)	(50,776)
Property and equipment, net	35,901	35,580
Capitalized software	61,459	63,009
Less accumulated amortization	(31,919)	(33,703)
Capitalized software, net	29,540	29,306
Deferred contract costs, net	8,116	7,712
Goodwill	86,086	86,086
Intangible assets, net	3,603	3,201
Other assets, net	2,481	3,546
Total assets	$ 564,464	$ 416,078
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 54,425	$ 52,441
Accrued compensation and benefits	29,449	25,771
Current portion of deferred revenue	38,545	37,461
Current portion of income taxes payable	5,487	1,422
Current portion of capital lease obligations	1,627	1,643
Other accrued liabilities	2,059	1,253
Total current liabilities	131,592	119,991
Capital lease obligations, less current portion	417	—
Deferred revenue, less current portion	10,143	10,213
Income taxes payable, less current portion	—	2,106
Deferred income taxes	12,912	11,202
Total liabilities	155,064	143,512
Shareholders' equity:		
Common stock, no par value; 60,000,000 shares authorized; 22,194,489 and 18,497,241 shares issued and outstanding at September 30, 2007 and December 31, 2007, at stated amount, respectively	299,846	305,398
Treasury stock, at cost; 4,490,073 and 8,248,530 shares at September 30, 2007 and December 31, 2007, respectively	(124,637)	(275, 025)
Accumulated other comprehensive income	1,730	1,603
Retained earnings	232,461	240,590
Total shareholders' equity	409,400	272,566
Total liabilities and shareholders' equity	$ 564,464	$ 416,078

See notes to unaudited condensed consolidated financial statements.

MAXIMUS, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share data)
(Unaudited)

	Three Months Ended December 31, 2006	Three Months Ended December 31, 2007
Revenue	$ 161,138	$ 201,950
Cost of revenue	140,860	149,183
Gross profit	20,278	52,767
Selling, general and administrative expenses	34,653	36,253
Legal and settlement expense (Note 11)	3,000	—
Income (loss) from operations	(17,375)	16,514
Interest and other income, net	477	1,501
Gain on sale of business (Note 12)	684	—
Income (loss) before income taxes	(16,214)	18,015
Provision (benefit) for income taxes	(5,819)	7,410
Net income (loss)	$ (10,395)	$ 10,605
Earnings (loss) per share (Note 6):		
Basic	$ (0.48)	$ 0.52
Diluted	$ (0.48)	$ 0.51
Dividends per share	$ 0.10	$ 0.10
Weighted average shares outstanding:		
Basic	21,590	20,506
Diluted	21,590	20,854

See notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended December 31, 2006	Three Months Ended December 31, 2007
Cash flows from operating activities:		
Net income (loss)	$ (10,395)	$ 10,605
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	2,284	2,854
Amortization	2,769	2,185
Deferred income taxes	(5,098)	4,195
Non-cash equity based compensation	1,020	3,600
Gain on sale of business	(684)	—
Change in assets and liabilities, net of effects from sale of business:		
Accounts receivable - billed	26,486	13,695
Accounts receivable - unbilled	6,734	(7,571)
Prepaid expenses and other current assets	(151)	1,470
Deferred contract costs	1,407	404
Other assets	2,065	101
Accounts payable	(9,641)	(1,983)
Accrued compensation and benefits	(2,254)	(3,679)
Deferred revenue	(5,745)	(1,013)
Income taxes	(2,015)	(3,141)
Other liabilities	844	(933)
Net cash provided by operating activities	7,626	20,789
Cash flows from investing activities:		
Proceeds from sale of business, net of transaction costs	2,171	—
Purchases of property and equipment	(1,918)	(2,533)
Capitalized software costs	(304)	(1,550)
(Increase) Decrease in marketable securities	(24,496)	126,160
Net cash provided by (used in) investing activities	(24,547)	122,077
Cash flows from financing activities:		
Employee stock transactions	1,526	1,655
Repurchases of common stock	—	(150,388)
Payments on capital lease obligations	(384)	(401)
Tax benefit due to option exercises and restricted stock units vesting	357	297
Cash dividends paid	(2,159)	(2,222)

Net cash used in financing activities	(660)	(151,059)
Net decrease in cash and cash equivalents	(17,581)	(8,193)
Cash and cash equivalents, beginning of period	39,545	70,472
Cash and cash equivalents, end of period	$ 21,964	$ 62,279

See notes to unaudited condensed consolidated financial statements.

MAXIMUS, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
For the Three Months Ended December 31, 2007 and 2006

In these Notes to Unaudited Condensed Consolidated Financial Statements, the terms the "Company", "MAXIMUS", "we", or "our" 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 notes 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 ended December 31, 2007 are not necessarily indicative of the results that may be expected for the full fiscal year. The balance sheet at September 30, 2007 has been derived from the audited financial statements at that date but does not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In addition to the Company's wholly owned subsidiaries, the consolidated financial statements as of and for the three months ended December 31, 2007 and 2006, and as of September 30, 2007, include a majority (55%) owned international subsidiary.

These financial statements should be read in conjunction with the consolidated audited financial statements and the notes thereto at September 30, 2007 and 2006 and for each of the three years in the period ended September 30, 2007, included in the Company's Annual Report on Form 10-K for the year ended September 30, 2007 (File No. 1-12997) filed with the Securities and Exchange Commission on December 13, 2007.

Income Taxes

During the three months ended December 31, 2006, our historical effective income tax rate was impacted by approximately 4 percentage points as a result of recording a $0.7 million valuation allowance on certain deferred tax assets related to a foreign subsidiary's net operating losses recorded at September 30, 2006 that were considered more-likely-than-not to be realized at that time. As a result of events that occurred during the first fiscal quarter of 2007 impacting the subsidiary's operating results for that period, the need for a valuation allowance was re-evaluated and it was determined that it was no longer more-likely-than-not that the net operating losses that existed at September 30, 2006 would be realized.

Effective October 1, 2007, the Company adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109," ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income tax positions. FIN 48 provides that the financial statement effects of an income tax position can only be recognized when, based on the technical merits, it is "more-likely-than-not" that the position will be sustained upon examination. The cumulative effect of applying the provisions of FIN 48 was required to be reported as an adjustment to the opening balance of retained earnings in the period of adoption.

Upon adoption of FIN 48 during the quarter, we accounted for our change in reserve for uncertain tax positions as a $0.3 million decrease to the beginning balance of retained earnings in our consolidated balance sheet. The Company's unrecognized tax benefits totaled $2.0 million at October 1, 2007 and $2.1 million at December 31, 2007. The total amount of unrecognized tax benefits that, if recognized, would affect the annual effective income tax rate is $1.7 million at October 1, 2007 and December 31, 2007. The Company estimates it may recognize $0.2 million of tax benefits in the next 12 months due to the expiration of statute of limitations.

We record interest and penalties associated with uncertain tax positions as a component of our income tax provision. Accumulated interest and penalties was $0.2 million at adoption of FIN 48. We recorded less than $0.1 million of interest and penalties in our current income tax provision for the three months ended December 31, 2007.

The Company files income tax returns in the United States Federal jurisdiction and in various state and foreign jurisdictions. The Company is no longer subject to US Federal income tax examinations for years before 2004 and is no longer subject to state and local, or foreign income tax examinations by tax authorities for years before 2002.

Legal and Settlement Expense

Legal and settlement expense consists of costs, net of reimbursed insurance claims, related to significant legal settlements and non-routine legal matters, including future probable legal costs estimated to be incurred in connection with those matters. Legal expenses incurred in the ordinary course of business are included in selling, general and administrative expense.

Stock-Based Compensation

The Company's Board of Directors established stock option plans during 1997 pursuant to which the Company may grant non-qualified stock options to officers, employees and directors of the Company. Such plans also provide for stock awards and direct purchases of the Company's common stock. At December 31, 2007, the Board of Directors had reserved 8.1 million shares of common stock for issuance under the Company's stock option plans. At December 31, 2007, approximately 1.9 million shares remained available for grants under the Company's stock option plans.

Stock options are granted at exercise prices equal to the fair market value of the Company's common stock at the date of grant. Stock options generally vest ratably over a period of four years and, beginning in fiscal 2005, expire six years after date of grant. Options issued prior to fiscal 2005 expire ten years after date of grant. For the three months ended December 31, 2006, compensation expense recognized related to stock options was $1.0 million. Compensation expense recognized related to stock options was $1.0 million for the three months ended December 31, 2007, which includes $0.5 million to correct for an understatement of compensation expense related to estimated forfeiture rates being applied to fully vested stock options in fiscal 2006 and 2007.

The Company also issues Restricted Stock Units ("RSUs") to certain executive officers and employees under its 1997 Equity Incentive Plan ("Plan"). Generally, 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, based on the Company's stock price at the grant date, is expensed over the vesting period. Compensation expense recognized related to RSUs was less than $0.1 million for the three months ended December 31, 2006. During the first quarter of fiscal 2007, the Company increased its estimate of RSU forfeitures based upon historical data, which resulted in a $0.8 million reduction to compensation expense for the three months ended December 31, 2006. Compensation expense recognized related to RSUs was $2.6 million for the three months ended December 31, 2007, which includes $1.7 million to correct for an understatement of compensation expense related to estimated forfeiture rates being applied to fully vested RSUs in fiscal 2006 and 2007.

2. Comprehensive Income (Loss)

Comprehensive income (loss) includes net income (loss), plus changes in cumulative foreign currency translation adjustments. The components of comprehensive income (loss) for the three months ended December 31, 2006 and 2007 are as follows:

(in thousands)	Three months Ended December 31, 2006	Three months Ended December 31, 2007
Net income (loss)	$ (10,395)	$ 10,605
Foreign currency translation adjustments	1,216	(127)
Comprehensive income (loss)	$ (9,179)	$ 10,478

3. Deferred Contract Costs

Deferred contract costs consist of contractually recoverable direct set-up costs relating to long-term service contracts in progress. These costs include direct and incremental costs incurred prior to the commencement of the Company providing contracted services to our customers. These costs totaled $28.6 million and $29.4 million at September 30, 2007 and December 31, 2007, respectively, of which $7.6 million consisted of leased equipment. Deferred contract costs are expensed ratably as services are provided under the contracts. At September 30, 2007 and December 31, 2007, accumulated amortization of deferred contract costs was $20.5 million and $21.7 million, of which $5.7 million and $6.0 million is the accumulated amortization of capital lease assets included in deferred costs, respectively.

4. Intangible Assets

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

	As of September 30, 2007			As of December 31, 2007		
	Cost	Accumulated amortization	Intangible assets, net	Cost	Accumulated amortization	Intangible assets, net
Non-competition agreements	$3,275	$3,257	$18	$3,275	$3,266	$9
Technology-based intangibles	4,870	3,421	1,449	4,870	3,643	1,227
Customer contracts and relationships	6,475	4,339	2,136	6,475	4,510	1,965
Total	$14,620	$11,017	$3,603	$14,620	$11,419	$3,201

Intangible assets from acquisitions are amortized over five to ten years. The weighted-average amortization period for intangible assets is approximately six years. Intangible amortization expense was $0.5 million and $0.4 million for the three months ended December 31, 2006 and 2007, respectively. The estimated amortization expense for the years ending September 30, 2008, 2009, 2010, 2011 and 2012 is $1.5 million, $1.1 million, $0.4 million, $0.4 million, and $0.2 million, respectively.

5. Commitments and Contingencies

Litigation

The Company is involved in various legal proceedings, including contract and employment claims, in the ordinary course of its business. The matters reported on below involve significant pending or potential claims against us.

(a) In January 2007, MAXIMUS delivered to Accenture LLP a written formal demand for arbitration to resolve disputes relating to the Company's role as a subcontractor in support of Accenture's prime contract with the Texas Health and Human Services Commission ("HHSC") for the Integrated Eligibility and Enrollment Services program (the "Program"). The Company's claims include (i) Accenture's attempt to misappropriate the Company's intellectual property, (ii) Accenture's failure to deliver required technology under the subcontract, (iii) Accenture's unilateral negotiation of issues with HHSC having a direct effect on the Company, (iv) Accenture's unfounded assertions that the Company had breached its obligations with respect to the Children's Health Insurance Program ("CHIP") operations under the subcontract, and (v) Accenture's imposition of excessive and unsubstantiated cover costs on the Company arising out of the amendment to the subcontract entered into in June 2006. MAXIMUS seeks to recover its damages which it believes exceed $100.0 million. Accenture submitted a response disputing MAXIMUS' claims and asserting a counterclaim that MAXIMUS breached the subcontract. Accenture seeks unspecified damages which it has stated could be hundreds of millions of dollars. The subcontract incorporated the terms and conditions of the prime contract which contains a limitation of liability of $250.0 million.

Also in January 2007, Accenture delivered a letter purporting to declare the Company in default of its obligations under that subcontract. The letter stated that Accenture planned to exercise step-in rights with respect to certain management and supervisory services provided by the Company for the CHIP operations. The letter also stated that Accenture intended to partially terminate the subcontract as of February 5, 2007 with respect to the Company's obligations regarding CHIP integrated eligibility services. The letter included a proposed turnover plan for transitioning the CHIP services from the Company to Accenture. Accenture has alleged that the Company owes damages relating to the CHIP operations of at least $45.0 million plus $30.0 million in indemnification for amounts that Accenture agreed to pay to HHSC.

In February 2007, MAXIMUS terminated its subcontract with Accenture. In March 2007, HHSC announced that it was winding down its contract with Accenture. In connection with that process, MAXIMUS has entered into agreements directly with HHSC to provide enrollment broker, CHIP operations and eligibility support services. The contracts for CHIP operations and eligibility support services run through December 31, 2008, and the enrollment broker contract runs through August 31, 2010.

The Company believes that its positions are meritorious and that Accenture's positions are without merit, including Accenture's unjustified issuance of a default notice with respect to the CHIP operations. During the fiscal year ended September 30, 2007, the Company recorded $10.0 million in legal costs related to the arbitration. This amount represents costs incurred through December 31, 2007 of $9.0 million and an estimate of future probable legal costs of $1.0 million. It is reasonably possible that the estimate of future probable legal costs of $1.0 million will change due to future developments. The Company will continue to aggressively pursue its rights and remedies against Accenture to resolve the current dispute. The arbitration hearing has been postponed and a new schedule has not yet been established but it will not likely occur this fiscal year. The Company cannot predict the outcome of the arbitration proceedings or any settlement negotiations or the impact they may have on the Company's operating results or financial condition, and therefore no accrual for this loss contingency has been recorded on the balance sheet.

(b) In November 2007, MAXIMUS was sued by the State of Connecticut in the Superior Court in the Judicial District of Hartford. MAXIMUS had entered into a contract in 2003 with the Connecticut Department of Information Technology to update the State's criminal justice information system. The State claims that MAXIMUS breached its contract and also alleges negligence and breach of the implied warranty of fitness for a particular purpose. MAXIMUS has sued its primary subcontractor on the effort (ATS Corporation) which abandoned the project before completing its obligations. Although the State did not specify damages in its complaint, it demanded payment of alleged damages of approximately $6.2 million in a letter sent to the Company in September 2007. The Company denies that it has breached its contract with the State. During the fiscal year ended September 30, 2007, the Company recorded $0.2 million in legal costs related to this matter. Through December 31, 2007 the Company had incurred costs of $0.1 million and accrued an estimate of future probable legal costs of $0.1 million. The Company cannot predict the outcome of the legal proceedings or any settlement negotiations or the impact they may have on the Company's operating results or financial condition.

(c) In December 2007, the Company was sued by Image API in the District Court of Travis County, Texas. The plaintiff was a subcontractor to MAXIMUS under the Integrated Eligibility and Enrollment Services program (the "Program") with HHSC. As described above, MAXIMUS was a subcontractor to Accenture under the Program until February 2007. The Company and Image API had a number of disagreements under their subcontract regarding Image API's performance and scope of responsibilities. Following the termination of the Company's subcontract with Accenture, the Company and Image API were not able to agree on the role Image API would play in support of MAXIMUS' new agreements with HHSC, and Image API terminated its services. The plaintiff has asserted a variety of claims including breach of contract, fraud, misrepresentation, business disparagement and trade secret misappropriation. MAXIMUS denies those allegations. The plaintiff claims damages due to the loss of compensation expected under its subcontract with MAXIMUS in an amount exceeding $30.0 million. The Company believes the nature and the amount of the asserted claims are without merit and intends to defend the matter vigorously. Nevertheless, the Company cannot predict the outcome of the legal proceedings or any settlement negotiations or the impact they may have on the Company's operating results or financial condition.

Credit Facilities and Performance Bonds

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. In March 2006, in connection with another long-term contract, the Company issued a standby letter of credit in the amount of $4.0 million. The letter of credit, which expires on September 30, 2008, may be called by the customer in the event the Company defaults under the terms of the contract. The Company also has two letters of credit in connection with insurance policies, which total approximately $0.5 million. The letters of credit for insurance policies expire in May 2008 and automatically renew annually, thereafter. The letters of credit, as amended by the Company and its lender on December 20, 2006, contain financial covenants that establish minimum levels of tangible net worth, earnings before interest, tax, depreciation and amortization (EBITDA), cash balances and a maximum level of losses on the Texas Integrated Eligibility project. The Company was in compliance with all covenants as of December 31, 2007.

In January 2008, the Company entered into a $50.0 million senior revolving credit facility with a financial institution. See "Note 13. Subsequent Events" for additional information.

At December 31, 2006 and 2007, the Company had performance bond commitments totaling $96.6 million and $87.7 million, respectively.

Lease Obligations

On July 15, 2003, the Company entered into a capital lease financing arrangement with a financial institution, whereby the Company acquired 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 acquired 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 $2.0 million and $1.6 million were outstanding related to these lease arrangements for new equipment at September 30, 2007 and December 31, 2007, respectively.

6. Earnings (Loss) Per Share

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

	Three Months Ended December 31, 2006	Three Months Ended December 31, 2007
Numerator:		
Net income (loss)	$ (10,395)	$ 10,605
Denominator:		
Basic weighted average shares outstanding	21,590	20,506
Effect of dilutive securities:		
Employee stock options and unvested restricted stock awards	—	348
Denominator for diluted earnings (loss) per share	21,590	20,854

In computing diluted loss per share for the three months ended December 31, 2006, employee stock options and unvested restricted stock units aggregating 206,000 were excluded from the computation of diluted loss per share as a result of their antidilutive effect.

7. Stock Repurchase Programs

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 ended December 31, 2006, and December 31, 2007, the Company did not repurchase any shares under these authorizations. At December 31, 2007, approximately $41.5 million remained available for future stock repurchases under these authorizations.

On July 23, 2007, the Company announced that it had retained UBS Investment Bank as a financial advisor to assist the Board of Directors in exploring strategic alternatives to enhance shareholder value, including a possible sale of the Company. On November 14, 2007, the Company announced that its Board of Directors had completed its process to explore strategic alternatives and had authorized the repurchase of up to $150.0 million of the Company's outstanding common stock under an Accelerated Share Repurchase ("ASR") program. After a thorough review process, the Board of Directors concluded that launching a $150.0 million ASR program, concentrating the Company's strategic focus on core health and human services offerings and considering alternatives for certain non-core assets, provides the best opportunity to maximize shareholder value, reflecting the Company's strong financial position and future growth prospects.

In connection with the ASR program, the Company entered into an ASR agreement with UBS Investment Bank on November 15, 2007. Under the ASR agreement, the Company acquired and retired 3,758,457 shares at an initial price of $39.91 per

share for $150.0 million plus fees of approximately $0.4 million. UBS will purchase an equivalent number of shares in the open market over the nine-month period ending August 15, 2008. At the completion of the ASR agreement, the Company's initial price under the ASR agreement will be adjusted up or down based on the volume-weighted average price ("VWAP") of the stock during this period. Such adjustment may be settled in cash or stock at the Company's discretion. At December 31, 2007, the price adjustment that the Company would receive approximated $8.3 million. The repurchase agreement caps the number of shares that could be required to be issued at 10,800,000. The forward contract for the price adjustment is accounted for as an equity instrument and changes in its fair value are not recorded during the contract period. Upon settlement, the price adjustment will be recorded as equity.

8. Segment Information

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

	Three Months Ended December 31, 2006	Three Months Ended December 31, 2007
Revenue:		
Consulting	$ 24,656	$ 22,156
Systems	34,541	33,995
Operations	101,941	145,799
Total	$ 161,138	$ 201,950
Income (loss) from operations:		
Consulting	$ 2,815	$ 1,151
Systems	(1,597)	(3,141)
Operations	(16,044)	18,734
Consolidating adjustments	451	(230)
Legal and settlement expense	(3,000)	—
Total	$ (17,375)	$ 16,514

9. Recent Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements," which is effective in fiscal years beginning after November 15, 2007, which is the Company's 2009 fiscal year. SFAS No. 157 defines fair value, establishes a market-based framework or hierarchy for measuring fair value and expands disclosures about fair value measurements. The new standard is applicable whenever another accounting pronouncement requires or permits assets and liabilities to be measured at fair value, with limited exceptions. We are in the process of reviewing and evaluating SFAS No. 157, and therefore the ultimate impact of its adoption is not yet known.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115," which is effective in fiscal years beginning after November 15, 2007, which is the Company's 2009 fiscal year. SFAS No. 159 permits entities to choose to measure eligible items at fair value at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. We are in the process of reviewing and evaluating SFAS No. 159, and therefore the ultimate impact of its adoption is not yet known.

In December 2007, the FASB issued SFAS No. 141 (revised) ("SFAS 141(R)"), "Business Combinations," which is effective for business combinations entered into in fiscal years beginning on or after December 15, 2008, which is the Company's 2010 fiscal year. Early adoption of the standard is prohibited. Under SFAS 141(R), more transactions will be recorded as business combinations, as it changes the definitions of a business, which would no longer be required to be self-sustaining or revenue generating, and a business combination, which would include combinations that occur by contract alone or due to changes in substantive participation rights, such as a lapse in minority veto rights. Certain acquired contingencies will be recorded initially at fair value on the acquisition date. After the acquisition, if new information is available, contingent liabilities will be measured at the higher of the likely amount to be paid and the acquisition-date fair value. Contingent assets will be measured subsequently at the lower of the

current estimated future amount to be realized and the acquisition-date fair value. Transaction and restructuring costs generally will be expensed as incurred. In partial acquisitions, companies generally will record 100 percent of the assets and liabilities at fair value, including goodwill. This will likely result in higher related depreciation and amortization charges in subsequent periods than under the current standard. SFAS 141(R) will only impact us if we acquire businesses subsequent to the effective date of the standard.

Concurrent with the issuance of SFAS 141(R), the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements," which is effective for fiscal years beginning on or after December 15, 2008, which is the Company's 2010 fiscal year. Early adoption of the standard is prohibited. This statement will be applied prospectively as of October 1, 2009 except for the presentation and disclosure requirements. The standard changes the accounting and reporting for minority interests and requires the ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled, and presented in the consolidated statement of financial position within equity, but separate from the parent's equity. It also requires that the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income. We are in the process of reviewing and evaluating SFAS No. 160, and therefore the ultimate impact of its adoption is not yet known.

10. Texas Integrated Eligibility Project

During the three months ended December 31, 2006, the Texas Integrated Eligibility project adversely impacted our results by $27.0 million, which included a pre-tax operating loss of $11.9 million; a provision of $12.1 million for outstanding receivables; and a provision of $3.0 million for future probable legal expenses related to the ongoing arbitration process with Accenture. Under that project, we served as a subcontractor to Accenture as part of the Texas Access Alliance which provided services under the Texas Health and Human Services Commissions' Integrated Eligibility Program. We were awarded the five-year, $370 million subcontract in June 2005. That subcontract has since been terminated, and we have entered into contracts directly with the State. See "Note 5. Commitments and Contingencies" above and "Special Considerations and Risk Factors" in Exhibit 99.1 for additional information.

11. Legal and Settlement Expense

Legal and settlement expense consists of costs, net of reimbursed insurance claims, related to significant legal settlements and non-routine legal matters, including future probable legal costs estimated to be incurred in connection with those matters. Legal expenses incurred in the ordinary course of business are included in selling, general and administrative expense. During the quarter ended December 31, 2006, the Company recorded a provision of $3.0 million for future probable legal costs in connection with its formal demand for arbitration to resolve disputes relating to the Company's role as a subcontractor to Accenture on the Texas Integrated Eligibility project. No additional costs related to future probable legal expenses were accrued during the quarter ended December 31, 2007.

12. Sales of Business

On October 5, 2006, the Company sold its Corrections Services business for proceeds of $2.2 million, net of transaction costs of $0.8 million, and recognized a pre-tax gain on the sale of $0.7 million. During the fiscal year ended September 30, 2006, this business had revenue of $9.1 million and generated an operating loss of approximately $0.6 million.

13. Subsequent Events

On January 14, 2008, 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 February 29, 2008, to shareholders of record on February 15, 2008.

On January 25, 2008, the Company entered into a Revolving Credit Agreement providing for a senior secured revolving credit facility, with SunTrust Bank as administrative agent, issuing bank and swingline lender, and a syndicate of other lenders (the "Credit Facility"). The Credit Facility provides for a $50.0 million revolving line of credit commitment, which may be used (i) for revolving loans, (ii) for swingline loans, subject to a sublimit of $5.0 million, and (iii) to request the issuance of letters of credit on the Company's behalf, subject to a sublimit of $25.0 million. The Company may request an increase in the commitment under the Credit Facility, such that the aggregate commitments under the Credit Facility shall at no time exceed $75.0 million. The credit available under the Credit Facility may be used, among other purposes, to refinance the Company's current indebtedness, to repurchase shares

of the Company's capital stock and to finance the ongoing working capital, capital expenditure, and general corporate needs of the Company.

Subject to applicable conditions, the Company may elect interest rates on its revolving borrowings calculated by reference to (i) the prime lending rate as announced by SunTrust Bank (or, if higher, the federal funds effective rate plus 0.50%) (a **"**Base Rate Borrowing**"**), or (ii) the reserve adjusted rate per annum equal to the offered rate for deposits in U.S. dollars for a one (1), two (2), three (3) or six (6) month period in the London Inter-Bank Market (a **"**LIBOR Borrowing**"**), and, in each case, plus an applicable margin that is determined by reference to the Company's then-current leverage ratio. For swingline borrowings, the Company will pay interest at the rate of interest for a one (1) month LIBOR Borrowing, plus the applicable margin, or at a rate to be separately agreed upon by the Company and the administrative agent.

The Credit Facility matures on January 25, 2013, at which time all outstanding borrowings must be repaid and all outstanding letters of credit must have been terminated or cash collateralized.

The Credit Facility provides for the payment of specified fees and expenses, including an up front fee and commitment and letter of credit fees, and contains customary financial and other covenants that require the maintenance of certain ratios including a maximum leverage ratio and a minimum fixed charge coverage ratio. The Company's obligations under the Credit Facility are guaranteed by certain of the Company's direct and indirect subsidiaries (collectively, the "Guarantors") and are secured by substantially all of MAXIMUS' and the Guarantors' present and future tangible and intangible assets, including the capital stock of subsidiaries and other investment property.

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

The following discussion and analysis of financial condition and results of operations 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, 2007, filed with the Securities and Exchange Commission on December 13, 2007.

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. These risks are detailed in Exhibit 99.1 to this Quarterly Report on Form 10-Q and incorporated herein by reference.

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, Canada, Australia, Israel, and the United Kingdom. For the fiscal year ended September 30, 2007, we had revenue of $738.6 million and net loss of $8.3 million. For the three months ended December 31, 2007, we had revenue of $202.0 million and net income of $10.6 million.

Results of Operations

Consolidated

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

(dollars in thousands, except per share data)	Three months ended December 31, 2006	Three months ended December 31, 2007
Revenue	$ 161,138	$ 201,950
Gross profit	$ 20,278	$ 52,767
Legal and settlement expense	$ 3,000	—
Income (loss) from operations	$ (17,375)	$ 16,514
Operating margin (loss) percentage	(10.8)%	8.2%
Selling, general and administrative expense	$ 34,653	$ 36,253
Selling, general and administrative expense as a percentage of revenue	21.5%	18.0%
Net income (loss)	$ (10,395)	$ 10,605
Earnings (loss) per share:		
Basic	$ (0.48)	$ 0.52
Diluted	$ (0.48)	$ 0.51

Revenue for the three months ended December 31, 2007 was $202.0 million, compared to $161.1 million for the same period in fiscal 2007. The increase in revenue is attributable to organic growth driven by new work in the Operations Segment. Income from operations for the three months ended December 31, 2007 was $16.5 million, compared to a loss from operations of $17.4 million for the same period in fiscal 2007. The increase in income from operations is driven by improvements in the Operations Segment related to the optimization of the business portfolio; new awards; and the resolution of certain legacy contracts, including the transformation of the Texas contract to a direct service agreement.

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 legal expenses incurred in the ordinary course of business. SG&A as a percentage of revenue for the three months ended December 31, 2007 was 18.0 %, compared to 21.5% for the same period in fiscal 2007. In the first quarter of fiscal 2007, SG&A as a percentage of revenue was impacted by the reductions in revenue of approximately $15.7 million in the quarter as a result of provisions recorded on the Texas Integrated Eligibility and Ontario Child Support systems implementation projects.

Also included in SG&A were $3.6 million and $1.0 million of non-cash, equity-based compensation related to stock options and RSUs for the three months ended December 31, 2007 and 2006, respectively. During the three months ended December 31, 2007 the Company identified an error in prior periods in recorded stock-based compensation expense related to stock options and RSUs. The error was due, in part, to how the software used by the Company applied estimated forfeiture rates to fully vested stock options and RSUs. The impact was an underestimated stock compensation expense by $1.1 million in each of fiscal 2006 and 2007. The Company has corrected this error by recording additional stock compensation expense of $2.2 million for a total non-cash equity based expense in the first quarter of fiscal 2008 of $3.6 million.

Provision for income taxes for the three months ended December 31, 2007 was 41.1% of income before income taxes, compared to (35.9)% of loss before income taxes for the first quarter of fiscal 2007. During the three months ended December 31, 2006, our historical effective income tax rate was impacted by approximately 4 percentage points as a result of recording a $0.7 million valuation allowance on certain deferred tax assets. At September 30, 2006, the Company recorded deferred tax assets related to a foreign subsidiary's net operating losses that were considered realizable at that time. As a result of events occurring during the first fiscal quarter of 2007 impacting the subsidiary's operating results for that period, the need for a valuation allowance was re-evaluated. It was determined that it was no longer more-likely-than-not that these net operating losses would be realized, and consequently, the Company recorded the valuation allowance. The fiscal 2008 first quarter includes discrete items related to the adoption of FIN 48.

Net income for the three months ended December 31, 2007 was $10.6 million, or $0.51 per diluted share, compared with a net loss of $10.4 million, or $0.48 per diluted share, for the same period in fiscal 2007. The increase in net income of $21.0 million is primarily attributable to the aforementioned reasons listed above that also increased the Company's operating income.

Consulting Segment

(dollars in thousands)	Three months ended December 31, 2006	Three months ended December 31, 2007
Revenue	$ 24,656	$ 22,156
Gross profit	10,907	8,488

Operating income	2,815	1,151
Operating margin percentage	11.4%	5.2%

The Consulting Segment is comprised of financial services (which include child welfare, cost services, educational services and revenue services), technical services, and Unison (airport consulting services). Revenue decreased 10.1% for the three months ended December 31, 2007, compared to the same period in fiscal 2007. Operating margin percentage decreased to 5.2% for the three months ended December 31, 2007 from 11.4% in the same period in fiscal 2007. The decrease in revenue and operating margin percentage compared to the same period last year is primarily attributable to the financial services division due to the shift away from contingent-based federal healthcare claiming work and incurring additional project costs to develop new market areas.

Systems Segment

(dollars in thousands)	Three months ended December 31, 2006	2007
Revenue	$ 34,541	$ 33,995
Gross profit	8,551	8,937
Operating income (loss)	(1,597)	(3,141)
Operating margin (loss) percentage	(4.6)%	(9.2)%

The Systems Segment develops and implements both third party and proprietary software in five divisions: justice solutions, asset solutions, educational systems, security solutions, and enterprise resource planning (ERP) solutions. Revenue decreased 1.6% for the three months ended December 31, 2007, compared to the same period in fiscal 2007. The decrease in revenue is primarily due to lower license revenue as compared to the same period in fiscal 2007. Loss from operations for the three months ended December 31, 2007 increased by $1.5 million compared to the same period in fiscal 2007. The increase in loss from operations of $1.5 million is primarily attributable to lower license revenue, investments in software development, and higher than anticipated installation costs in certain contracts in the educational systems and justice solutions divisions.

Operations Segment

(dollars in thousands)	Three months ended December 31, 2006	2007
Revenue	$ 101,941	$ 145,799
Gross profit	820	35,342
Operating income (loss)	(16,044)	18,734
Operating margin (loss) percentage	(15.7)%	12.8%

The Operations Segment includes health services, human services, and federal outsourcing and operations work. Revenue increased 43.0% for the three months ended December 31, 2007, compared to the same period in fiscal 2007. Income from operations for the three months ended December 31, 2007 was $18.7 million, compared to a loss from operations of $16.0 million for the same period in fiscal 2007. The increase in income from operations is driven by improvements related to the optimization of the business portfolio; new awards; and the resolution of certain legacy contracts, including the transformation of the Texas contract to a direct service agreement.

Interest and Other Income, Net

(dollars in thousands)	Three months ended December 31, 2006	2007
Interest and other income, net	$ 477	$ 1,501
Percentage of revenue	0.3%	0.7%

Interest and other income for the three months ended December 31, 2007 was $1.5 million, compared to $0.5 million for the same period in fiscal 2007. The increase in interest and other income of $1.0 million is primarily attributable to a weakening of the Canadian dollar which resulted in $0.8 million of unrealized, non-cash foreign currency losses on loans to our Canadian subsidiaries for the three months ended December 31, 2006, compared to $0.2 million of unrealized, non-cash foreign currency gains for the three months ended December 31, 2007.

Liquidity and Capital Resources

(dollars in thousands)	Three months ended December 31, 2006	2007
Net cash provided by (used in):		
Operating activities	$ 7,626	$ 20,789
Investing activities	(24,547)	122,077
Financing activities	(660)	(151,059)

Net decrease in cash and cash equivalents	$ (17,581)	$ (8,193)

Cash provided by operating activities for the three months ended December 31, 2007 was $20.8 million, compared to $7.6 million for the same period in fiscal 2007. Cash provided by operating activities for the three months ended December 31, 2007 consisted of net income of $10.6 million and non-cash items aggregating $12.8 million, plus cash provided by decreases in deferred contract costs of $0.4 million and other assets of $0.1 million, offset by cash used in working capital changes of $3.1 million. Non-cash items consisted of depreciation and amortization of $5.0 million, non-cash equity based compensation of $3.6 million and deferred income taxes of $4.2 million. Cash used in working capital changes reflected decreases in accounts payable of $2.0 million, accrued compensation and benefits of $3.7 million, deferred revenue of $1.0 million, income tax payable of $3.1million and other liabilities of $0.9 million, and an increase in accounts receivable-unbilled of $7.6 million, offset by decreases in accounts receivable-billed of $13.7 million and prepaid expenses and other current assets of $1.5 million.

Cash provided by operating activities for the three months ended December 31, 2006 was $7.6 million and consisted of net loss of $10.4 million and non-cash items aggregating $0.3 million, plus cash provided by working capital changes of $14.2 million, plus cash provided by decreases in deferred contract costs of $1.4 million and other assets of $2.1 million. Non-cash items consisted of depreciation and amortization of $5.1 million and non-cash equity based compensation of $1.0 million, offset by deferred income taxes of $5.1 million and gain on sale of business of $0.7 million. Cash provided by working capital changes reflected decreases in accounts receivable-billed of $26.5 million and accounts receivable-unbilled of $6.7 million, and an increase in other liabilities of $0.8 million, offset by decreases in accounts payable of $9.6 million, accrued compensation and benefits of $2.3 million, deferred revenue of $5.7 million and income taxes of $2.0 million, and an increase in prepaid expenses of $0.2 million.

Cash provided by investing activities for the three months ended December 31, 2007 was $122.1 million, compared to $24.5 million of cash used in investing activities for the same period in fiscal 2007. Cash provided by investing activities for the three months ended December 31, 2007 consisted of net maturities of marketable securities of $126.2 million, offset by purchases of property and equipment of $2.5 million and expenditures for capitalized software costs of $1.6 million. Cash used in investing activities for the three months ended December 31, 2006 was $24.5 million and consisted of purchases of marketable securities (net) of $24.5 million, purchases of property and equipment of $1.9 million, expenditures for capitalized software costs of $0.3 million, offset by proceeds from the sale of business of $2.2 million.

Cash used in financing activities for the three months ended December 31, 2007 was $151.1 million, compared to $0.7 million for the same period in fiscal 2007. Cash used in financing activities for the three months ended December 31, 2007 consisted of repurchase of shares under the Accelerated Share Repurchase program plus related fees of $150.4 million, dividends paid of $2.2 million and principal payments on capital leases of $0.4 million, offset by the exercise of employee stock options of $1.7 million and equity-based tax benefits of $0.3 million. Cash used in financing activities for the three months ended December 31, 2006 consisted of dividends paid of $2.2 million and principal payments on capital leases of $0.4 million, offset by the exercise of employee stock options of $1.5 million and equity-based tax benefits of $0.4 million.

Under resolutions adopted in May 2000, July 2002, and March 2003, the Board of Directors authorized the repurchase, at management's discretion, of up to an aggregate of $90.0 million of the Company's common stock. Also, in June 2002, the Board of Directors authorized the use of option exercise proceeds for the repurchase of the Company's common stock. In addition, in November 2007, the Board of Directors authorized $150.0 million for an Accelerated Share Repurchase ("ASR") program. In November 2007, the company repurchased $150.0 million of the Company's common stock under the ASR program. At December 31, 2007, approximately $41.5 million remained available for future stock repurchases under the previous authorizations.

Our working capital at December 31, 2007 was $130.6 million. At December 31, 2007, we had cash, cash equivalents, and marketable securities of $62.3 million and no debt, except for lease obligations. Management believes this liquidity and financial position, along with the revolving credit facility discussed below, provides sufficient liquidity to continue any contemplated 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 resulted 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 December 31, 2007, $7.7 million in net costs had been incurred and reported as deferred contract costs on our December 31, 2007 consolidated balance sheet.

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. In March 2006, in connection with another long-term contract, the Company issued a standby letter of credit in the amount of $4.0 million. The letter of credit, which expires on September 30, 2008, may be called by the customer in the event the Company defaults under the terms of the contract. The Company also has two letters of credit in connection with insurance policies, which total approximately $0.5 million. The letters of credit for insurance policies expire in May 2008 and automatically renew annually, thereafter. The letters of credit, as amended by the Company and its lender on December 20, 2006, contain financial covenants that establish minimum levels of tangible net worth, earnings before interest, tax, depreciation and amortization (EBITDA), cash balances and a maximum level of losses on the Texas Integrated Eligibility project. The Company was in compliance with all covenants as of December 31, 2007.

On January 25, 2008, the Company entered into a Revolving Credit Agreement providing for a senior secured revolving credit facility, with SunTrust Bank as administrative agent, issuing bank and swingline lender, and a syndicate of other lenders (the "Credit Facility"). The Credit Facility provides for a $50.0 million revolving line of credit commitment, which may be used (i) for revolving loans, (ii) for swingline loans, subject to a sublimit of $5.0 million, and (iii) to request the issuance of letters of credit on the Company's behalf, subject to a sublimit of $25.0 million. The Company may request an increase in the commitment under the Credit Facility, such that the aggregate commitments under the Credit Facility shall at no time exceed $75.0 million. The credit available under the Credit Facility may be used, among other purposes, to refinance the Company's current indebtedness, to repurchase shares of the Company's capital stock and to finance the ongoing working capital, capital expenditure, and general corporate needs of the Company.

In July 2003, we entered into a capital lease financing arrangement with a financial institution whereby we acquired 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 acquired 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 December 31, 2007, capital lease obligations of $1.6 million were outstanding related to these lease arrangements for new equipment.

At December 31, 2007, we classified accounts receivable of $1.8 million, net of a $0.6 million discount, as long-term receivables and reported them within the other assets category on our consolidated balance sheet. These receivables had extended payment terms and collection was expected to exceed one year.

On January 14, 2008, 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 February 29, 2008, to shareholders of record on February 15, 2008.

We believe that we will have sufficient resources to meet our currently anticipated capital expenditures 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 periods 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. 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 2007, approximately 75% of our total revenue was derived from state and local government agencies; 7% from federal government agencies; 13% from foreign customers; and 5% from other sources, such as 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. Of the contracts with "not-to-exceed" provisions, to the extent we estimate we will exceed the contractual limits, we treat these contracts as fixed price. For fiscal 2007, revenue from fixed-price contracts was approximately 41% of total revenue; revenue from performance-based contracts was approximately 37% of total revenue; revenue from cost-plus contracts was approximately 15% of total revenue; and revenue from time and materials contracts was approximately 7% 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 general service arrangements as work is performed and amounts are earned in accordance with the Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements," as amended by SAB No. 104, "Revenue Recognition" ("SAB 104"). We consider amounts to be earned once evidence of an arrangement has been obtained, services are delivered, fees are fixed or determinable, and collectibility is reasonably assured.

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 in accordance with the provisions of AICPA Statement of Position 81-1,"Accounting for Performance of Construction-Type and Certain Production-Type Contracts" ("SOP 81-1"). 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. For fixed-price contracts accounted for under SOP 81-1, provisions for estimated losses on incomplete contracts are provided in full in the period in which such losses become known. 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. The timing of expense recognition may result in irregular profit margins.

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.

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. Software revenue is recognized in accordance with AICPA Statement of Position 97-2,"Software Revenue Recognition" ("SOP 97-2"), as amended by Statement of Position 98-9, "Modification of SOP 97-2, With Respect to Certain Transactions" ("SOP 98-9"). Software license revenue is recognized when a customer enters into a non-cancelable license agreement, the software product has been delivered, there are no uncertainties surrounding product acceptance, there are no significant future performance obligations, the license fees are fixed or determinable and collection of the license fee is considered probable. Amounts received in advance of meeting these criteria are deferred and classified as deferred revenue in the accompanying consolidated balance sheets. As required by SOP 98-9, the Company determines the value of the software component of its multiple-element arrangements using the residual method as vendor specific objective evidence ("VSOE") of fair value exists for the undelivered elements such as the support and maintenance agreements and related implementation and training services, but not for all delivered elements such as the software itself. The residual method requires revenue to be allocated to the undelivered elements based on the fair value of such elements, as indicated by VSOE. VSOE is based on the price charged when the element is sold separately. 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.

Emerging Issues Task Force Issue No. 00-21 ("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. 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. 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 over the greater of the ratio of gross revenues to expected total revenues of the product or on the straight-line method of amortization over the 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.

Allowance for Doubtful Accounts. We maintain an allowance for doubtful accounts at an amount we estimate to be sufficient to cover the risk of collecting less than full payment on our receivables. On a regular basis we re-evaluate our client receivables, especially receivables that are past due, and reassess our allowance for doubtful accounts based on specific client collection issues. If our clients were to express dissatisfaction with the services we have provided, additional allowances may be required.

Deferred Contract Costs. Deferred contract costs consist of contractually recoverable direct set-up costs relating to long-term service contracts in progress. These costs include direct and incremental costs incurred prior to the commencement of our providing service to enable us to provide the contracted services to our customer. Such costs are expensed over the period services are provided under the long-term service contract. We review deferred contract costs for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Our review is based on our projection of the undiscounted future operating cash flows of the related customer project. To the extent such projections indicate that future undiscounted cash flows are not sufficient to recover the carrying amount, we recognize a non-cash impairment charge to reduce the carrying amount to equal projected future discounted cash flows.

Contingencies. From time to time, we are involved in legal proceedings, including contract and employment claims, in the ordinary course of business. We assess the likelihood of any adverse judgments or outcomes to these contingencies as well as potential ranges of probable losses and establish reserves accordingly. The amount of reserves required may change in future periods due to new developments in each matter or changes in approach to a matter such as a change in settlement strategy.

Legal and Settlement Expense. Legal and settlement expense consists of costs, net of reimbursed insurance claims, related to significant legal settlements and non-routine legal matters, including future probable legal costs estimated to be incurred in connection with those matters. Legal expenses incurred in the ordinary course of business are included in selling, general and administrative expense.

Stock-Based Compensation. Effective October 1, 2005, the Company adopted the provisions of SFAS No. 123(R), Share-Based Payment, using the modified-prospective-transition method.

Income Taxes. To record income tax expense, we are required to estimate our income taxes in each of the jurisdictions in which we operate. In addition, income tax expense at interim reporting dates requires us to estimate our expected effective tax rate for the entire year. This process involves estimating our actual current tax liability together with assessing temporary differences that result in deferred tax assets and liabilities and expected future tax rates. Circumstances that could cause our estimates of income tax expense to change include: the impact of information that subsequently becomes available as we prepare our tax returns; revision to tax positions taken as a result of further analysis and consultation; changes in the geographic mix of our business; the actual level of pre-tax income; changes in tax rules, regulations and rates; and changes mandated as a result of audits by taxing authorities.

We may also establish tax reserves when, despite our belief that our tax return positions are fully supportable, we believe that certain positions are subject to challenge and that we may not fully succeed. We adjust these reserves in light of changing facts, such as the progress of a tax audit, new case law, or expiration of a statute of limitations.

We have deferred tax assets due to net operating loss carryforwards in our Canadian subsidiaries, the utilization of which is not assured and is dependent on generating sufficient taxable income in the future. These net operating loss carryforwards may be used to offset taxable income in future periods, reducing the amount of taxes we might otherwise be required to pay. A valuation allowance is recognized if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax asset will not be realized. In the event that actual circumstances differ from management's estimates, or to the extent that these estimates are adjusted in the future, any changes to the valuation allowance could be material.

Effective October 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 109," ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income tax positions. FIN 48 provides that the financial statement effects of an income tax position can only be recognized when, based on the technical merits, it is “more-likely-than-not” that the position will be sustained upon examination. The cumulative effect of applying the provisions of FIN 48 was a $0.3 million decrease to the beginning balance of retained earnings in our consolidated balance sheet.

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, commodity prices and other market risks with regard to instruments entered into for trading or for other purposes is immaterial.

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 were 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.

The Company is involved in various legal proceedings, including contract and employment claims, in the ordinary course of its business. The matters reported on below involve significant pending or potential claims against us.

(a) In January 2007, MAXIMUS delivered to Accenture LLP a written formal demand for arbitration to resolve disputes relating to the Company’s role as a subcontractor in support of Accenture’s prime contract with the Texas Health and Human Services Commission (“HHSC”) for the Integrated Eligibility and Enrollment Services program (the “Program”). The Company’s claims include (i) Accenture’s attempt to misappropriate the Company’s intellectual property, (ii) Accenture’s failure to deliver required technology under the subcontract, (iii) Accenture’s unilateral negotiation of issues with HHSC having a direct effect on the Company, (iv) Accenture’s unfounded assertions that the Company had breached its obligations with respect to the Children’s Health Insurance Program (“CHIP”) operations under the subcontract, and (v) Accenture’s imposition of excessive and unsubstantiated cover costs on the Company arising out of the amendment to the subcontract entered into in June 2006. MAXIMUS seeks to recover its damages which it believes exceed $100.0 million. Accenture submitted a response disputing MAXIMUS’ claims and asserting a counterclaim that MAXIMUS breached the subcontract. Accenture seeks unspecified damages which it has stated could be hundreds of millions of dollars. The subcontract incorporated the terms and conditions of the prime contract which contains a limitation of liability of $250.0 million.

Also in January 2007, Accenture delivered a letter purporting to declare the Company in default of its obligations under that subcontract. The letter stated that Accenture planned to exercise step-in rights with respect to certain management and supervisory services provided by the Company for the CHIP operations. The letter also stated that Accenture intended to partially terminate the subcontract as of February 5, 2007 with respect to the Company’s obligations regarding CHIP integrated eligibility services. The letter included a proposed turnover plan for transitioning the CHIP services from the Company to Accenture. Accenture has alleged that the Company owes damages relating to the CHIP operations of at least $45.0 million plus $30.0 million in indemnification for amounts that Accenture agreed to pay to HHSC.

In February 2007, MAXIMUS terminated its subcontract with Accenture. In March 2007, HHSC announced that it was winding down its contract with Accenture. In connection with that process, MAXIMUS has entered into agreements directly with HHSC to provide enrollment broker, CHIP operations and eligibility support services. The contracts for CHIP operations and eligibility support services run through December 31, 2008, and the enrollment broker contract runs through August 31, 2010.

The Company believes that its positions are meritorious and that Accenture’s positions are without merit, including Accenture’s unjustified issuance of a default notice with respect to the CHIP operations. During the fiscal year ended September 30, 2007, the Company recorded $10.0 million in legal costs related to the arbitration. This amount represents costs incurred through December 31, 2007 of $9.0 million and an estimate of future probable legal costs of $1.0 million. It is reasonably possible that the estimate of future probable legal costs of $1.0 million will change due to future developments. The Company will continue to aggressively pursue its rights and remedies against Accenture to resolve the current dispute. The arbitration hearing has been postponed and a new schedule has not yet been established, but it will not likely occur this fiscal year. The Company cannot predict the outcome of the arbitration proceedings or any settlement negotiations or the impact they may have on the Company’s operating results or financial condition, and therefore no accrual for this loss contingency has been recorded on the balance sheet.

(b) In November 2007, MAXIMUS was sued by the State of Connecticut in the Superior Court in the Judicial District of Hartford. MAXIMUS had entered into a contract in 2003 with the Connecticut Department of Information Technology to update the State's criminal justice information system. The State claims that MAXIMUS breached its contract and also alleges negligence and breach of the implied warranty of fitness for a particular purpose. MAXIMUS has sued its primary subcontractor on the effort (ATS Corporation) which abandoned the project before completing its obligations. Although the State did not specify damages in its complaint, it demanded payment of alleged damages of approximately $6.2 million in a letter sent to the Company in September 2007. The Company denies that it has breached its contract with the State. During the fiscal year ended September 30, 2007, the Company recorded $0.2 million in legal costs related to this matter. Through December 31, 2007 the Company had incurred costs of $0.1 million and accrued an estimate of future probable legal costs of $0.1 million. The Company cannot predict the outcome of the legal proceedings or any settlement negotiations or the impact they may have on the Company's operating results or financial condition.

(c) In December 2007, the Company was sued by Image API in the District Court of Travis County, Texas. The plaintiff was a subcontractor to MAXIMUS under the Integrated Eligibility and Enrollment Services program (the "Program") with HHSC. As described above, MAXIMUS was a subcontractor to Accenture under the Program until February 2007. The Company and Image API had a number of disagreements under their subcontract regarding Image API's performance and scope of responsibilities. Following the termination of the Company's subcontract with Accenture, the Company and Image API were not able to agree on the role Image API would play in support of MAXIMUS' new agreements with HHSC, and Image API terminated its services. The plaintiff has asserted a variety of claims including breach of contract, fraud, misrepresentation, business disparagement and trade secret misappropriation. MAXIMUS denies those allegations. The plaintiff claims damages due to the loss of compensation expected under its subcontract with MAXIMUS in an amount exceeding $30.0 million. The Company believes the nature and the amount of the asserted claims are without merit and intends to defend the matter vigorously. Nevertheless, the Company cannot predict the outcome of the legal proceedings or any settlement negotiations or the impact they may have on the Company's operating results or financial condition.

Item 1A. Risk Factors.

In connection with information set forth in this Form 10-Q, the factors discussed under "Risk Factors" in our Form 10-K for fiscal year ended September 30, 2007 should be considered. The risks included in the Form 10-K could materially and adversely affect our business, financial condition and results of operations. There have been no material changes to the factors discussed in our Form 10-K.

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 December 31, 2007:

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)
Oct. 1, 2007 — Oct. 31, 2007	—	—	—	$ 40,166
Nov. 1, 2007 — Nov. 30, 2007	3,758,457	$ 39.91	3,758,457	$ 40,921
Dec. 1, 2007 —Dec. 31, 2007	—	—	—	$ 41,530
Total	3,758,457	$ 39.91	3,758,457	

(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. Under resolutions adopted and publicly announced on November 14, 2007, our Board of Directors authorized the repurchase of up $150.0 million of our common stock under an Accelerated Share Repurchase ("ASR") program. Under the ASR agreement with UBS Investment Bank, we acquired 3,758,457 shares of our common stock on November 15, 2007.

Item 6. Exhibits.

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

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: February 7, 2008

By: /s/ David N. Walker
David N. Walker
Chief Financial Officer
(On behalf of the registrant and as Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Description
3.1	Amended and Restated Bylaws of the Company.
10.1	Purchase Agreement between the Company and UBS AG, London Branch, dated November 15, 2007, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on November 20, 2007.
10.2	Amended and Restated Income Continuity Program, incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on November 27, 2007.
10.3	First Amendment to the 1997 Equity Incentive Plan, as amended through March 22, 2006, incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on November 27, 2007.
10.4	Deferred Compensation Plan, as amended, incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed on November 27, 2007.
10.5	First Amendment to the Executive Employment, Non-Compete and Confidentiality Agreement by and between the Company and Richard A. Montoni, incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K filed on November 27, 2007.
10.6	Executive Employment, Non-Compete and Confidentiality Agreement by and between the Company and Bruce Caswell, incorporated by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K filed on November 27, 2007.
10.7	First Amendment to the Executive Employment, Non-Compete and Confidentiality Agreement by and between the Company and Bruce Caswell, incorporated by reference to Exhibit 10.6 of the Company's Current Report on Form 8-K filed on November 27, 2007.
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.

AMENDED AND RESTATED
BY-LAWS
OF
MAXIMUS, INC.

Adopted by the Board of Directors on January 31, 1997,
Effective June 18, 1997

ARTICLE I

SHAREHOLDERS

SECTION 1. Place of Meetings. All meetings of Shareholders shall be held at the principal office of the Corporation or at such other place as may be named in the notice.

SECTION 2. Annual Meeting. The annual meeting of Shareholders for the election of directors and the transaction of such other business as may properly come before the meeting shall be held on such date and at such hour and place as the directors or an officer designated by the directors may determine.

SECTION 3. Special Meetings. Special meetings of the Shareholders may be called at any time by the President or a majority of the Board of Directors.

SECTION 4. Notice of Meetings. Except where some other notice is required by law, written notice of each meeting of Shareholders, stating the place, date and hour thereof, shall be given by the Secretary under the direction of the Board of Directors or the President, not less than ten (10) nor more than sixty (60) days before the date fixed for such meeting, to each Shareholder of record entitled to vote at such meeting, except that notice of a Shareholders' meeting to act on an amendment of the Articles of Incorporation, a plan of merger or share exchange, a proposed sale of assets (other than in the regular course of business), or the dissolution of the Corporation shall be given not less than twenty-five (25) nor more than sixty (60) days before the date fixed for such meeting. Notice shall be given personally to each Shareholder or left at his or her residence or usual place of business or mailed postage prepaid and addressed to the Shareholder at his or her address as it appears upon the records of the Corporation. In case of the death, absence, incapacity or refusal of the Secretary, such notice may be given by a person designated either by the Secretary or by the person or persons calling the meeting or by the Board of Directors. A Shareholder may waive such notice in writing, whether before or after the time stated therein. Attendance of a person at a meeting of Shareholders shall constitute a waiver of notice of such meeting, except when the Shareholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Shareholders need be specified in any written waiver of notice. Except as required by statute, notice of any adjourned meeting of the Shareholders shall not be required if the new date, time or place is announced at the meeting before adjournment.

SECTION 5. Record Date. The Board of Directors may fix in advance a record date for the determination of the Shareholders entitled to notice of or to vote at any meeting of Shareholders, or for the purpose of any other lawful action. Such record date shall not be more than 70 days before the date of such meeting or other action to which such record date relates. If no record date is fixed, the record date for determining Shareholders entitled to notice of or to vote at a meeting of Shareholders shall be at the close of business on the day before the day on which notice is given, or, if notice is waived, at the close of business on the day before the day on which the meeting is held, and the record date for determining Shareholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating to such purpose. A determination of Shareholders of record entitled to notice of or to vote at a meeting of Shareholders shall apply to any adjournment of the meeting unless the Board of Directors fixes a new record date for the adjourned meeting which it shall do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

SECTION 6. Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors at any annual or special meeting of Shareholders. Nominations of persons for election as directors may be made only by or at the direction of the Board of Directors, or by any Shareholder entitled to vote for the election of directors at the meeting in compliance with the notice procedures set forth in this Section 6. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Chairman of the Board, if any, the President or the Secretary. To be timely, a Shareholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than 45 days before the meeting; provided, however, that if less than 60 days' notice or prior public disclosure of the date of the meeting is given or made to Shareholders, notice by the Shareholder to be timely must be so received not later than the close of business on the 15th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. Such Shareholder's notice shall set forth (a) as to each person whom the Shareholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the Corporation that are beneficially owned by the person and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, or any successor provision thereto; and (b) as to the Shareholder giving the notice, (i) the name and record address of such Shareholder and (ii) the class and number of shares of capital stock of the Corporation that are beneficially owned by such Shareholder.

The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if the chairman should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

SECTION 7. Advance Notice of Business at Annual Meetings. At any annual meeting of the Shareholders, only such business shall be conducted as shall have been properly brought before the meeting. To be brought properly before an annual meeting, business must be either (a)

specified in the notice of meeting (or any supplement thereto) given by or at the direction of the President or the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) properly brought before the meeting by a Shareholder. In addition to any other applicable requirements, for business to be brought properly before an annual meeting by a Shareholder, the Shareholder must have given timely notice thereof in writing to the Chairman of the Board, if any, the President or the Secretary. To be timely, a Shareholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 45 days before the meeting; provided, however, that if less than 60 days' notice or prior public disclosure of the date of the meeting is given or made to Shareholders, notice by the Shareholder to be timely must be so received not later than the close of business on the 15th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. A Shareholder's notice shall set forth as to each matter the Shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the Shareholder proposing such business, (iii) the class and number of shares of the Corporation that are beneficially owned by the Shareholder and (iv) any material interest of the Shareholder in such business.

Notwithstanding anything in these by-laws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Section 7, provided, however, that nothing in this Section 7 shall be deemed to preclude discussion by any Shareholder of any business properly brought before the annual meeting in accordance with said procedure.

The chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the foregoing procedure, and if the chairman should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

SECTION 8. Voting List. The officer who has charge of the stock ledger of the Corporation shall make or have made, at least 10 days before each meeting of Shareholders, a complete list of the Shareholders entitled to vote at such meeting, arranged by voting group and within each voting group by class or series of shares and showing the address of each Shareholder and the number of shares registered in the name of each Shareholder. Such list shall be open to the examination of any Shareholder for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days before the meeting, at the registered office of the Corporation or at its principal office or at the office of its transfer agent or registrar. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any Shareholder who is present. The stock ledger shall be prima facie evidence as to who are the Shareholders entitled to examine the stock ledger, the list required by this section or the books of the Corporation, or to vote at any meeting of Shareholders.

SECTION 9. Quorum of Shareholders. At any meeting of the Shareholders, the holders of a majority in interest of all stock issued and outstanding and entitled to vote upon a question to

be considered at the meeting, present in person or represented by proxy, shall constitute a quorum for the consideration of such question, but in the absence of a quorum a smaller group may adjourn any meeting from time to time. When a quorum is present at any meeting, action on a matter by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, except where a different vote is required by law or by the Articles of Incorporation. Any election by Shareholders shall be determined by a plurality of the vote cast by the Shareholders entitled to vote at the election.

SECTION 10. Proxies and Voting. Unless otherwise provided in the Articles of Incorporation, each Shareholder shall at every meeting of the Shareholders be entitled to one vote in person or by proxy for each share of the capital stock held of record by such Shareholder, but no proxy shall be voted or acted upon after eleven months from its date, unless said proxy expressly provides for a longer period. Persons holding stock in a fiduciary capacity shall be entitled to vote the shares so held, and persons whose stock is pledged shall be entitled to vote unless in the transfer by the pledgor on the books of the Corporation the pledgee shall have been expressly empowered to vote thereon, in which case only the pledgee or the pledgee’s proxy may represent said stock and vote thereon. Shares of the capital stock of the Corporation belonging to the Corporation or to another Corporation, a majority of whose shares entitled to vote in the election of directors is owned by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes.

SECTION 11. Conduct of Meeting. Meetings of the Shareholders shall be presided over by one of the following officers in the order specified and if present and acting: the Chairman of the Board, if any, the Vice Chairman of the Board, if any, the President, a Vice-President (and, in the event there be more than one person in any such office, in the order of their seniority), or, if none of the foregoing is in office and present and acting, a chairman designated by the Board of Directors or, in the absence of such designation, a chairman chosen by the Shareholders at the meeting. The Secretary of the Corporation, if present, or an Assistant Secretary, shall act as secretary of every meeting, but if neither the Secretary nor an Assistant Secretary is present the chairman of the meeting shall appoint a secretary of the meeting.

The Board of Directors may adopt such rules, regulations and procedures for the conduct of the meeting of Shareholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgement of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, (i) the establishment of an agenda or order of business for the meeting, (ii) rules and procedures for maintaining order at the meeting and the safety of those present, (iii) limitations on attendance at or participation in the meeting to Shareholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine, (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof, and (v) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of

Shareholders shall not be required to be held in accordance with the rules of parliamentary procedure.

ARTICLE II

DIRECTORS

SECTION 1. General Powers. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors, who may exercise all of the powers of the Corporation that are not by law required to be exercised by the Shareholders. In the event of a vacancy in the Board of Directors, the remaining directors, except as otherwise provided by law, may exercise the powers of the full Board until the vacancy is filled.

SECTION 2. Number; Election; Tenure and Qualification. Subject to any restrictions contained in the Articles of Incorporation, the number of directors that shall constitute the whole Board shall be fixed by resolution of the Board of Directors but in no event shall be less than one. The directors shall be elected in the manner provided in the Articles of Incorporation, by such Shareholders as have the right to vote thereon. The number of directors may be increased or decreased by action of the Board of Directors. Directors need not be Shareholders of the Corporation.

SECTION 3. Enlargement of the Board. Subject to any restrictions contained in the Articles of Incorporation, the number of the Board of Directors may be increased at any time, such increase to be effective immediately unless otherwise specified in the resolution, by vote of a majority of the directors then in office.

SECTION 4. Vacancies. Unless and until filled by the Shareholders and except as otherwise determined by the Board of Directors in establishing a series of Preferred Stock as to directors elected by the holders of such series, any vacancy in the Board of Directors, however occurring, including a vacancy resulting from an enlargement of the Board and an unfilled vacancy resulting from the removal of any director, may be filled by vote of a majority of the directors then in office although less than a quorum, or by the sole remaining director. Each director so chosen to fill a vacancy shall serve for a term determined in the manner provided in the Articles of Incorporation. When one or more directors shall resign from the Board, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have the power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective. If at any time there are no directors in office, then an election of directors may be held in accordance with the Virginia Stock Corporation Act.

SECTION 5. Resignation. Any director may resign at any time upon written notice to the Corporation. Such resignation shall take effect at a later time specified therein, or if no time is specified, at the time of its receipt by the Chairman of the Board, if any, the President or the Secretary.

SECTION 6. Removal. Directors may be removed from office only as provided in the Articles of Incorporation. The vacancy or vacancies created by the removal of a director may be filled by the Shareholders at the meeting held for the purpose of removal or, if not so filled, by the directors in the manner provided in Section 4 of this Article II.

SECTION 7. Committees. The Board of Directors may, by resolution or resolutions passed by a majority of the whole Board of Directors, designate one or more committees, each committee to consist of two or more directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee to replace any absent or disqualified member at any meeting of the committee. The Board of Directors shall have the power to change the members of any such committee at any time, to fill vacancies therein and to discharge any such committee, either with or without cause, at any time.

Any such committee, to the extent permitted by law and to the extent provided in the resolution of the Board of Directors or in these by-laws, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers that may require it.

A majority of all the members of any such committee may fix its rules of procedure, determine its action and fix the time and place, whether within or without the Commonwealth of Virginia, of its meetings and specify what notice thereof, if any, shall be given, unless the Board of Directors shall otherwise by resolution provide. Each committee shall keep regular minutes of its meetings and make such reports as the Board of Directors may from time to time request.

SECTION 8. Meetings of the Board of Directors. Regular meetings of the Board of Directors may be held without call or formal notice at such places either within or without the Commonwealth of Virginia and at such times as the Board may by vote from time to time determine. A regular meeting of the Board of Directors may be held without call or formal notice immediately after and at the same place as the annual meeting of the Shareholders, or any special meeting of the Shareholders at which a Board of Directors is elected.

Special meetings of the Board of Directors may be held at any place either within or without the Commonwealth of Virginia at any time when called by the Chairman of the Board, if any, the President, the Secretary or two or more directors. Reasonable notice of the time and place of a special meeting shall be given to each director unless such notice is waived by attendance or by written waiver in the manner provided in these by-laws for waiver of notice by Shareholders. Notice may be given by, or by a person designated by, the Secretary, the person or persons calling the meeting, or the Board of Directors. No notice of any adjourned meeting of the Board of Directors shall be required. In any case it shall be deemed sufficient notice to a director to send notice by mail at least seventy-two hours, or by telegram or fax at least forty-eight hours, before the meeting, addressed to such director at his or her usual or last known business or home address.

Directors or members of any committee may participate in a meeting of the Board of Directors or of such committee by means of conference telephone or similar communications

equipment by means of which all persons participating in the meeting can hear each other, and participation by such means shall constitute presence in person at such meeting.

SECTION 9. Quorum and Voting. A majority of the total number of directors shall constitute a quorum, except that when a vacancy or vacancies exist in the Board, a majority of the directors then in office (but not less than one-third of the total number of the directors) shall constitute a quorum. A majority of the directors present, whether or not a quorum is present, may adjourn any meeting from time to time. The vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors, except where a different vote is required by law, by the Articles of Incorporation or by these by-laws.

SECTION 10. Compensation. The Board of Directors may fix fees for their services and for their membership on committees, and expenses of attendance may be allowed for attendance at each meeting. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity, as an officer, agent or otherwise, and receiving compensation therefor.

SECTION 11. Action Without Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting and without notice if a written consent thereto is signed by all members of the Board of Directors or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board of Directors or of such committee.

ARTICLE III

OFFICERS

SECTION 1. Titles. The officers of the Corporation shall consist of a President, a Secretary, a Treasurer and such other officers with such other titles as the Board of Directors shall determine, who may include without limitation a Chairman of the Board, a Vice-Chairman of the Board and one or more Vice-Presidents, Assistant Treasurers or Assistant Secretaries.

SECTION 2. Election and Term of Office. The officers of the Corporation shall be elected annually by the Board of Directors at its first meeting following the annual meeting of the Shareholders. Each officer shall hold office until his or her successor is elected and qualified, unless a different term is specified in the vote electing such officer, or until his or her earlier death, resignation or removal.

SECTION 3. Qualification. Unless otherwise provided by resolution of the Board of Directors, no officer, other than the Chairman or Vice-Chairman of the Board, need be a director. No officer need be a Shareholder. Any number of offices may be held by the same person, as the directors shall determine.

SECTION 4. Removal. Any officer may be removed, with or without cause, at any time, by resolution adopted by the Board of Directors.

SECTION 5. Resignation. Any officer may resign by delivering a written resignation to the Corporation at its principal office or to the Chairman of the Board, if any, the President or the Secretary. Such resignation shall be effective upon receipt or at such later time as may be specified therein.

SECTION 6. Vacancies. The Board of Directors may at any time fill any vacancy occurring in any office for the unexpired portion of the term and may leave unfilled for such period as it may determine any office other than those of President, Treasurer and Secretary.

SECTION 7. Powers And Duties. The officers of the Corporation shall have such powers and perform such duties as are specified herein and as may be conferred upon or assigned to them by the Board of Directors and shall have such additional powers and duties as are incident to their office except to the extent that resolutions of the Board of Directors are inconsistent therewith.

SECTION 8. President And Vice-Presidents. Except to the extent that such duties are assigned by the Board of Directors to the Chairman of the Board, or in the absence of the Chairman or in the event of his or her inability or refusal to act, the President shall be the chief executive officer of the Corporation and shall have general and active management of the business of the Corporation and general supervision of its officers, agents and employees, and shall see that all orders and resolutions of the Board of Directors are carried into effect. The President shall preside at each meeting of the Shareholders and the Board of Directors unless a Chairman or Vice-Chairman of the Board is elected by the Board and is assigned the duty of presiding at such meeting.

The Board of Directors may assign to any Vice-President the title of Executive Vice-President, Senior Vice-President or any other title selected by the Board of Directors. In the absence of the President or in the event of his or her inability or refusal to act, the duties of the President shall be performed by the Executive Vice-President, if any, Senior Vice President, if any, or Vice President, if any, in that order (and, in the event there be more than one person in any such office, in the order of their seniority), and when so acting, such officer shall have all the powers of and be subject to all the restrictions upon the President.

SECTION 9. Secretary And Assistant Secretaries. The Secretary shall attend all meetings of the Board of Directors and of the Shareholders and record all the proceedings of such meetings in a book to be kept for that purpose, shall give, or cause to be given, notice of all meetings of the Shareholders and special meetings of the Board of Directors, shall maintain a stock ledger and prepare lists of Shareholders and their addresses as required and shall have custody of the corporate seal, which the Secretary or any Assistant Secretary shall have authority to affix to any instrument requiring it and attest by any of their signatures. The Board of Directors may give general authority to any other officer to affix and attest the seal of the Corporation.

Any Assistant Secretary may, in the absence of the Secretary or in the event of the Secretary's inability or refusal to act, perform the duties and exercise the powers of the Secretary.

SECTION 10. Treasurer and Assistant Treasurers. The Treasurer shall have the custody of the corporate funds and securities, shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by or pursuant to resolution of the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, the Chairman of the Board, if any, or the President, taking proper vouchers for such disbursements, and shall render to the Chairman of the Board, if any, the President and the Board of Directors, at its regular meetings or whenever they may require it, an account of all transactions and of the financial condition of the Corporation.

Any Assistant Treasurer may, in the absence of the Treasurer or in the event of his or her inability or refusal to act, perform the duties and exercise the powers of the Treasurer.

SECTION 11. Bonded Officers. The Board of Directors may require any officer to give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors upon such terms and conditions as the Board of Directors may specify, including without limitation a bond for the faithful performance of the duties of such officer and for the restoration to the Corporation of all property in his or her possession or control belonging to the Corporation.

SECTION 12. Salaries. Officers of the Corporation shall be entitled to such salaries, compensation or reimbursement as shall be fixed or allowed from time to time by the Board of Directors or any committee thereof appointed for the purpose.

ARTICLE IV

STOCK

SECTION 1. Certificates of Stock. Shares of the Corporation shall be evidenced, when fully paid, by certificates containing such information as is required by law and approved by the Board of Directors. Alternatively, the Board of Directors may authorize the issuance of some or all shares without certificates. In such event, within a reasonable time after issuance, the Corporation shall mail to the shareholder a written confirmation of its records with respect to such shares containing the information required by law. When issued, certificates shall be signed by the Chairman or Vice-Chairman of the Board of Directors or by the President or a Vice-President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary, and shall certify the number of shares owned by the Shareholder in the Corporation. Any or all signatures on any such certificate may be facsimiles. In case any officer, transfer agent or registrar who shall have signed or whose facsimile signature shall have been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue. Each certificate for shares of stock that are subject to any restriction on transfer pursuant to the Articles of Incorporation, the by-laws,

applicable securities laws, or any agreement among any number of Shareholders or among such holders and the Corporation shall have conspicuously noted on the face or back of the certificate either the full text of the restriction or a statement of the existence of such restriction.

SECTION 2. Transfers of Shares of Stock. The Board of Directors may make rules and regulations concerning the issue, registration and transfer of shares and/or certificates representing the shares of the Corporation. Subject to the restrictions, if any, stated or noted on the stock certificates, shares of stock may be transferred on the books of the Corporation by the surrender to the Corporation or its transfer agent of the certificate, if any, representing such shares properly endorsed or accompanied by a written assignment or power of attorney properly executed, and with such proof of authority or the authenticity of signature as the Corporation or its transfer agent may reasonably require. The Corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect to that stock, regardless of any transfer, pledge or other disposition of that stock, until the shares have been transferred on the books of the Corporation in accordance with the requirements of these by-laws.

SECTION 3. Lost Certificates. A new stock certificate may be issued in the place of any certificate theretofore issued by the Corporation and alleged to have been lost, stolen, destroyed or mutilated, upon such terms in conformity with law as the Board of Directors shall prescribe. The directors may, in their discretion, require the owner of the lost, stolen, destroyed or mutilated certificate, or the owner's legal representatives, to give the Corporation a bond, in such sum as they may direct, to indemnify the Corporation against any claim that may be made against it on account of the alleged loss, theft, destruction or mutilation of any such certificate, or the issuance of any such new certificate.

SECTION 4. Fractional Share Interests. The Corporation may, but shall not be required to, issue fractions of a share. If the Corporation does not issue fractions of a share, it shall (i) arrange for the disposition of fractional interests by those entitled thereto, (ii) pay in cash the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined, or (iii) issue scrip in registered or bearer form, which shall entitle the holder to receive a full share upon the surrender of such scrip aggregating a full share. A certificate for a fractional share shall, but scrip shall not unless otherwise provided therein, entitle the holder to exercise voting rights, to receive dividends thereon, and to participate in any of the assets of the Corporation in the event of liquidation. The Board of Directors may cause scrip to be issued subject to the conditions that they shall become void if not exchanged for certificates representing full shares before a specified date, or subject to the conditions that the shares for which scrip are exchangeable may be sold by the Corporation and the proceeds thereof distributed to the holders of scrip, or subject to any other conditions that the Board of Directors may impose.

SECTION 5. Dividends. Subject to the provisions of the Articles of Incorporation, the Board of Directors may, out of funds legally available therefor, at any regular or special meeting, declare dividends upon the capital stock of the Corporation as and when they deem expedient.

ARTICLE V

INDEMNIFICATION

SECTION 1. Procedure. Any indemnification, or payment of expenses in advance of the final disposition of any proceeding, shall be made promptly, and in any event within 60 days, upon the written request of the director or officer entitled to seek indemnification under the Corporation's Articles of Incorporation (the "Indemnified Party"). The right to indemnification and advances hereunder shall be enforceable by the Indemnified Party in any court of competent jurisdiction, if (i) the Corporation denies such request, in whole or in part, or (ii) no disposition thereof is made within 60 days. The Indemnified Party's costs and expenses incurred in connection with successfully establishing his or her right to indemnification, in whole or in part, in any such action shall also be reimbursed by the Corporation. It shall be a defense to any action for advance for expenses that (a) a determination has been made that the facts then known to those making the determination would preclude indemnification or (b) the Corporation has not received both (i) an undertaking as required by law to repay such advances in the event it shall ultimately be determined that the standard of conduct has not been met and (ii) a written affirmation by the Indemnified Party of such Indemnified Party's good faith belief that the standard of conduct necessary for indemnification by the Corporation has been met.

SECTION 2. Exclusivity, Etc. The indemnification and advance of expenses provided by the Articles of Incorporation and these by-laws shall not be deemed exclusive of any other rights to which a person seeking indemnification or advance of expenses may be entitled under any law (common or statutory), or any agreement, vote of Shareholders or disinterested directors or other provision that is consistent with law, both as to action in his or her official capacity and as to action in another capacity while holding office or while employed by or acting as agent for the Corporation, shall continue in respect of all events occurring while a person was a director or officer after such person has ceased to be a director or officer, and shall inure to the benefit of the estate, heirs, executors and administrators of such person. All rights to indemnification and advance of expenses under the Articles of Incorporation and hereunder shall be deemed to be a contract between the Corporation and each director or officer of the Corporation who serves or served in such capacity at any time while this by-law is in effect. Nothing herein shall prevent the amendment of this by-law, provided that no such amendment shall diminish the rights of any person hereunder with respect to events occurring or claims made before its adoption or as to claims made after its adoption in respect of events occurring before its adoption. Any repeal or modification of this by-law shall not in any way diminish any rights to indemnification or advance of expenses of such director or officer or the obligations of the Corporation arising hereunder with respect to events occurring, or claims made, while this by-law or any provision hereof is in force.

SECTION 3. Severability; Definitions. The invalidity or unenforceability of any provision of this Article V shall not affect the validity or enforceability of any other provision hereof. The phrase "this by-law" in this Article V means this Article V in its entirety.

ARTICLE VI

GENERAL PROVISIONS

SECTION 1. Fiscal Year. Except as otherwise designated from time to time by the Board of Directors, the fiscal year of the Corporation shall begin on the first day of October and end on the last day of September.

SECTION 2. Corporate Seal. The corporate seal shall be in such form as shall be approved by the Board of Directors. The Secretary shall be the custodian of the seal, and a duplicate seal may be kept and used by each Assistant Secretary and by any other officer the Board of Directors may authorize.

SECTION 3. Articles of Incorporation. All references in these by-laws to the Articles of Incorporation shall be deemed to refer to the Articles of Incorporation of the Corporation, as in effect from time to time.

SECTION 4. Execution of Instruments. The President, the Treasurer and the Secretary shall have power to execute and deliver on behalf and in the name of the Corporation any instrument requiring the signature of an officer of the Corporation, including deeds, contracts, mortgages, bonds, notes, debentures, checks, drafts and other orders for the payment of money. In addition, the Board of Directors, the President, the Treasurer and the Secretary may expressly delegate such powers to any other officer or agent of the Corporation.

SECTION 5. Voting of Securities. The President, the Treasurer and the Secretary, and each other person authorized by the Board of Directors, each acting singly, may waive notice of, and act as, or appoint any person or persons to act as, proxy or attorney-in-fact for this Corporation (with or without power of substitution) at any meeting of Shareholders or owners of other interests of any other Corporation or organization the securities of which may be held by this Corporation. In addition, the Board of Directors, the President and the Treasurer may expressly delegate such powers to any other officer or agent of the Corporation.

SECTION 6. Evidence of Authority. A certificate by the Secretary, an Assistant Secretary or a temporary secretary as to any action taken by the Shareholders, directors, a committee or any officer or representative of the Corporation shall, as to all persons who rely on the certificate in good faith, be conclusive evidence of that action.

SECTION 7. Transactions with Interested Parties. No contract or transaction between the Corporation and one or more of the directors or officers, or between the Corporation and any other Corporation, partnership, association or other organization in which one or more of the directors or officers are directors or officers or have a financial interest, shall be void or voidable solely for that reason or solely because the director or officer is present at or participates in the meeting of the Board of Directors or a committee of the Board of Directors that authorizes the contract or transaction or solely because the vote of any such director is counted for such purpose, if:

(1) The material facts as to the relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or such committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or

(2) The material facts as to the relationship or interest and as to the contract or transaction are disclosed or are known to the Shareholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the Shareholders; or

(3) The contract or transaction is fair to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee of the Board of Directors or the Shareholders.

Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee that authorizes the contract or transaction.

SECTION 8. Books and Records. The books and records of the Corporation shall be kept at such places within or without the Commonwealth of Virginia as the Board of Directors may from time to time determine.

ARTICLE VII

AMENDMENTS

SECTION 1. By the Board of Directors. These by-laws may be altered, amended or repealed or new by-laws may be adopted by the affirmative vote of a majority of the directors present at any regular or special meeting of the Board of Directors at which a quorum is present.

SECTION 2. By the Shareholders. These by-laws may be altered, amended or repealed or new by-laws may be adopted by the affirmative vote of the holders of a majority of votes properly cast at any regular meeting of Shareholders, or at any special meeting of Shareholders, provided notice of such alteration, amendment, repeal or adoption of new by-laws shall have been stated in the notice of such special meeting.

EXHIBIT 31.1

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. for the period ended December 31, 2007;

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) 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

   d) 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: February 7, 2008

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

EXHIBIT 31.2

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

I, David N. Walker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MAXIMUS, Inc. for the period ended December 31, 2007;

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) 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

   d) 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: February 7, 2008

/s/ David N. Walker
David N. Walker
Chief Financial Officer

EXHIBIT 32.1

Section 906 CEO Certification

I, Richard A. Montoni, 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 December 31, 2007 (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. Section 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: February 7, 2008

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

EXHIBIT 32.2

Section 906 CFO Certification

I, David N. Walker, 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 December 31, 2007 (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. Section 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: February 7, 2008

/s/ David N. Walker
David N. Walker
Chief Financial Officer