

---

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

---

**FORM 8-K**

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

Date of Report (Date of earliest event reported): **August 7, 2007**

---

**MAXIMUS, INC.**

(Exact name of registrant as specified in its charter)

**Virginia**  
(State or other jurisdiction of incorporation)

**1-12997**  
(Commission File Number)

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

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

**20190-5207**

(Zip Code)

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

**Not Applicable**  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
- 
-

**Item 2.02 Results of Operations and Financial Condition.**

On August 7, 2007, the Company issued a press release announcing its financial results for the quarter ended June 30, 2007. The full text of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and incorporated by reference into this Item 2.02.

On August 7, 2007, the Company held a conference call with respect to these financial results. The conference call was open to the public. The transcript and slide presentation that accompanied the call are furnished as Exhibit 99.2 to this Current Report on Form 8-K and incorporated by reference into this Item 2.02.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits. The following exhibit is being furnished pursuant to Item 2.02 above.

<b>Exhibit No.</b>	<b>Description</b>
99.1	Press release dated August 7, 2007
99.2	Conference call transcript and slide presentation for Earnings Call – August 7, 2007

---

**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 hereunto duly authorized.

MAXIMUS, Inc.

Date: August 8, 2007

By: /s/ David R. Francis

David R. Francis

General Counsel and Secretary

---

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release dated August 7, 2007
99.2	Conference call transcript and slide presentation for Earnings Call – August 7, 2007

# NEWS RELEASE



FOR IMMEDIATE RELEASE

CONTACT(S):

**Lisa Miles (Investor)**  
**800-MAXIMUS x 11637**

**Rachael Rowland (Media)**  
**800-MAXIMUS x 11688**

DATE: August 7, 2007

**MAXIMUS REPORTS RECORD REVENUE FOR FISCAL THIRD QUARTER**  
**- Excluding Legal and Settlement Expense of \$1.30, Pro Forma Earnings per Share of \$0.65; GAAP Loss per Share of \$0.65 -**

**(RESTON, Va.– August 7, 2007)** – MAXIMUS (NYSE: MMS), a leading provider of government services, today reported results for its fiscal 2007 third quarter ended June 30, 2007.

Highlights include:

- > Third quarter record revenue totaling \$196.6 million,
- > Excluding settlement and legal expense, pro forma earnings per share of \$0.65; GAAP loss per share of \$0.65 reflects a charge of \$1.30 related to the previously announced settlement,
- > Profitable results from the Texas project,
- > Cash, cash equivalents and marketable securities at June 30, 2007 of \$214.8 million (before the \$30.5 million outlay of cash in July 2007 for the recently announced settlement),
- > Record low Days Sales Outstanding of 75 days, and
- > New sales awards of approximately \$423 million and a total pipeline of \$1.3 billion at August 1, 2007.

Revenue for the third quarter increased to \$196.6 million compared to \$186.6 million reported for the same period last year. Last year's third quarter included revenue of approximately \$17.0 million which did not recur in the fiscal 2007 third quarter from voter hardware sales and the divested Corrections business. Excluding these items, third quarter revenue increased approximately 15.9% over the same period last year.

For the third quarter, MAXIMUS recorded a net loss of \$14.4 million, or \$0.65 per share, which included \$33.0 million in settlement and legal expenses primarily resulting from the previously disclosed settlement with the Department of Justice to resolve an investigation of the Company's federal healthcare claiming work on behalf of the District of Columbia. A portion of this settlement was not tax deductible, and the associated tax benefit related to the settlement was approximately \$4.5 million. As a result, the after-tax charge for the Company's third fiscal quarter was approximately \$1.30 per share. Excluding this charge, earnings per share would have been \$0.65. This compares to a net loss reported for the same period last year of \$17.3 million, or \$0.81 per share, which included a \$34.3 million loss associated with the Texas subcontract which the Company terminated in February 2007. The Company is now supporting the State of Texas directly through four interim agreements.

"While results for the quarter were impacted by the recent settlement, we are pleased to resolve another legacy issue and focus on realizing the full value of our business portfolio," commented Richard Montoni, Chief Executive Officer of MAXIMUS. "Excluding the settlement and related legal fees, our overall results for the quarter were solid. I'm pleased that we are growing organically in core health and human services markets and delivering financial results that reflect management actions to optimize the current business. Notably, our Operations segment produced exceptional results driven primarily by organic growth and the turnaround of our Texas project. While we still have improvements to make, particularly within our Enterprise Systems Segment, these results keep us on track to achieve our full year outlook."

#### **Consulting Segment**

Consulting Segment revenue, which represented 12% of total Company revenue for the third quarter, was \$23.3 million compared to \$26.7 million in the same period last year. Third quarter operating income for the Consulting Segment was \$2.0 million compared to \$3.8 million reported for same period last year primarily due to fluctuations related to the timing and billing of work. As expected, operating income improved sequentially compared to \$1.0 million reported for the second quarter of fiscal 2007.

#### **Systems Segment**

Systems Segment revenue represented 17% of total Company revenue for the third quarter of fiscal 2007 and increased 18.4% to \$34.0 million from the prior-year period driven by the ERP division. The Systems Segment lost \$3.6 million in the third quarter as a result of approximately \$3.2 million of charges from legacy contracts in the Justice Solutions division that adversely impacted the quarter, compared to a net loss of \$3.0 million reported for the third quarter of 2006. While the loss in the third quarter reflects legacy work, the Company has since implemented more stringent criteria for pursuing new business in an effort to reduce these types of quarterly project losses.

**Operations Segment**

Operations Segment revenue represented 71% of total Company revenue for the third quarter of fiscal 2007. Operations Segment revenue for the third quarter was \$139.3 million compared to \$131.2 million in last year's third quarter, which included revenue of \$17.0 million which did not recur in fiscal 2007 from voter hardware sales and the divested Corrections business. Third quarter operating income for the Operations Segment was \$24.6 million compared to a loss of \$23.1 million reported for the same period last year and operating income of \$7.1 million reported for the second quarter of fiscal 2007. The improved profitability compared to the prior year and last quarter was driven by strong organic growth and the turnaround in the Texas project.

**Sales and Pipeline**

Year-to-date signed contract wins at August 1, 2007, totaled \$423 million, compared to \$569 million reported last year. New contracts pending at August 1, 2007, (awarded but unsigned) totaled \$339 million compared to \$145 million reported last year. While new signed awards are down compared to last year, contracts that have been awarded but remain unsigned increased nearly \$200 million compared to last year, the majority of which are expected to be signed by fiscal year end. Sales opportunities at August 1, 2007, totaled \$1.3 billion (consisting of \$414 million in proposals pending, \$61 million in proposals in preparation, and \$851 million in proposals tracking) compared to \$1.1 billion the prior year.

**Balance Sheet and Cash Flows**

At June 30, 2007, cash, cash equivalents, and marketable securities totaled \$214.8 million. Days Sales Outstanding (DSO) improved to a record low of 75 days at June 30, 2007, benefiting from an improving revenue mix with new contracts and an increased focus on the fundamentals of cash flow management. The Company's DSO includes \$1.9 million of net long-term accounts receivable included in other assets. For the third fiscal quarter, the Company generated net cash from operating activities of \$34.3 million and paid a quarterly cash dividend of \$0.10 per share on May 31, 2007. Free cash flow, which the Company defines as cash from operations less purchased property and equipment and capitalized software costs, totaled \$29.7 million for the third quarter.

**Outlook**

Total Company revenue for fiscal 2007 is estimated to be in the range of \$740 million to \$750 million. As a result, the Company expects that total fiscal year 2007 GAAP diluted loss per share will be in the range of \$0.35 to \$0.45, inclusive of losses on the Texas project and legal and settlement expenses through June 30, 2007.

The Company has also adjusted its preliminary fiscal 2008 guidance, with expected diluted earnings per share to be in the range of \$2.35 to \$2.65, and an expected revenue growth rate greater than 10%.

Mr. Montoni concluded, "We recently announced that our Board of Directors is exploring strategic alternatives to enhance shareholder value, including a possible sale of the Company. As we pursue these opportunities, our day-to-day focus will remain on serving our clients and the continued improvement in the performance of our operations with an emphasis on generating profitable, sustainable growth."

**Website Presentation, Conference Call and Webcast Information**

MAXIMUS will host a conference call this morning at 9:00 a.m. (ET). The Company has also posted a presentation on its website, under the Investor Relations page, for analysts to follow along with during the conference call.

The call is open to the public and can be accessed under the Investor Relations page of the Company's website at [www.maximus.com](http://www.maximus.com) or by calling:

888.881.3328 (Domestic)/206.902.3258 (International)

For those unable to listen to the live call, a replay will be available through Tuesday, August 14, 2007. Callers can access the replay by registering for the digital playback at the following website: <http://reg.linkconferencecall.com/DigitalPlayback/DigitalPlaybackRegistration.aspx?recid=5406>. Upon registration, participants will receive an email with the call back information.

MAXIMUS is one of America's leading government services companies devoted to providing program management, consulting and information technology services. The Company has approximately 6,000 employees located in more than 220 offices in the United States, Canada and Australia. In 1999, 2001, 2002, 2003, and 2005 MAXIMUS was selected by Forbes Magazine as one of the Best 200 Small Companies in America for that year. Additionally, MAXIMUS is included in the Russell 2000 Index and the S&P SmallCap 600 Index.

*Statements that are not historical facts, including statements about the Company's confidence and strategies and the Company's expectations about revenues, results of operations, profitability, future contracts, market opportunities, market demand or acceptance of the Company's products are forward-looking statements that involve risks and uncertainties. These uncertainties could cause the Company's actual results to differ materially from those indicated by such forward-looking statements and include reliance on government clients; risks associated with government contracting; risks involved in managing government projects; legislative changes and political developments; opposition from government unions; challenges resulting from growth; adverse publicity; and legal, economic, and other risks detailed in Exhibit 99.1 to the Company's most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission (file number 001-12997).*



**Non-GAAP Financial Information**

*This press release includes certain non-GAAP financial information as defined by Securities and Exchange Commission Regulation G. Pursuant to the requirements of this regulation, reconciliations of this non-GAAP financial information to MAXIMUS financial statements as prepared under generally accepted accounting principles (GAAP) are included in this press release. MAXIMUS discloses net income and earnings per share excluding legal settlement expense and losses from the Texas project in the first half of fiscal 2007, and provides certain additional information, such as non-recurring reserves, regarding earnings per share for fiscal 2007. MAXIMUS management believes providing investors with this information gives additional insights into MAXIMUS results of operations. While MAXIMUS management believes that these non-GAAP financial measures are useful in evaluating MAXIMUS operations, this information should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with GAAP.*

**CONTACTS:**

Lisa Miles  
Investor Relations  
703.251.8637

Rachael Rowland  
Public/Media Relations  
703.251.8688

MAXIMUS, Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS  
(Dollars in thousands)

	September 30 2006	June 30, 2007 (unaudited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 39,545	\$ 91,105
Marketable securities	117,315	123,737
Restricted cash	1,512	323
Accounts receivable – billed, net of reserves of \$5,830 and \$27,876	153,399	120,287
Accounts receivable – unbilled	47,728	40,451
Income taxes receivable	9,003	3,598
Deferred income taxes	6,844	13,932
Prepaid expenses and other current assets	8,334	6,918
Total current assets	<u>383,680</u>	<u>400,351</u>
Property and equipment, at cost	71,078	78,030
Less accumulated depreciation and amortization	<u>(37.64)</u>	<u>(44,889)</u>
Property and equipment, net	33,429	33,141
Capitalized software	57,260	59,996
Less accumulated amortization	<u>(23,335)</u>	<u>(29,901)</u>
Capitalized software, net	33,925	30,095
Deferred contract costs, net	11,165	8,368
Goodwill	86,688	86,086
Intangible assets, net	5,720	3,994
Other assets, net	3,894	2,611
Total assets	<u>\$ 558,501</u>	<u>\$ 564,646</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 54,484	\$ 50,032
Accrued compensation and benefits	24,426	27,900
Deferred revenue	54,414	44,918
Current portion of capital lease obligations	1,690	1,742
Other accrued liabilities	<u>1,600</u>	<u>32,468</u>
Total current liabilities	136,614	157,060
Capital lease obligations, less current portion	2,044	698
Deferred income taxes	<u>14,944</u>	<u>11,754</u>
Total liabilities	153,602	169,512
Shareholders' equity:		
Common stock, no par value; 60,000,000 shares authorized; 21,544,964 and 22,151,770 shares issued and outstanding at September 30, 2006 and June 30, 2007, at stated amount, respectively	156,349	173,485
Accumulated other comprehensive income (loss)	(916)	1,138
Retained earnings	<u>249,466</u>	<u>220,511</u>
Total shareholders' equity	404,899	395,134
Total liabilities and shareholders' equity	<u>\$ 558,501</u>	<u>\$ 564,646</u>

## MAXIMUS, Inc.

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(Dollars in thousands, except per share data)  
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2006	2007	2006	2007
Revenue	\$ 186,596	\$ 196,557	\$ 529,095	\$ 536,772
Cost of revenue	158,945	138,126	411,366	415,188
Write-off of deferred contract costs	17,109	-	17,109	-
Gross profit	10,542	58,431	100,620	121,584
Selling, general and administrative expenses	32,275	35,350	94,725	104,454
Legal and settlement expense	9,078	33,010	10,303	42,114
Loss from operations	(30,811)	(9,929)	(4,408)	(24,984)
Interest and other income, net	2,196	1,131	5,174	3,223
Gain (gain adjustment) on sale of business	-	(233)	-	451
Income (loss) before income taxes	(28,615)	(9,031)	766	(21,310)
Provision (benefit) for income taxes	(11,306)	5,360	299	1,114
Net income (loss)	<u>\$ (17,309)</u>	<u>\$ (14,391)</u>	<u>\$ 467</u>	<u>\$ (22,424)</u>
Earnings (loss) per share:				
Basic	<u>\$ (0.81)</u>	<u>\$ (0.65)</u>	<u>\$ 0.02</u>	<u>\$ (1.03)</u>
Diluted	<u>\$ (0.81)</u>	<u>\$ (0.65)</u>	<u>\$ 0.02</u>	<u>\$ (1.03)</u>
Dividends per share	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.30</u>	<u>\$ 0.30</u>
Weighted average shares outstanding:				
Basic	<u>21,472</u>	<u>21,998</u>	<u>21,442</u>	<u>21,767</u>
Diluted	<u>21,472</u>	<u>21,998</u>	<u>21,851</u>	<u>21,767</u>

## MAXIMUS, Inc.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Dollars in thousands)  
(Unaudited)

	Nine Months Ended June 30,	
	2006	2007
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 467	\$ (22,424)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6,786	7,542
Amortization	5,839	7,912
Write-off of deferred contract costs	17,109	-
Deferred income taxes	(9,547)	(10,277)
Gain on sale of business	-	(451)
Non-cash equity-based compensation	4,570	2,208
Change in assets and liabilities, net of effects from divestiture:		
Accounts receivable - billed	(14,721)	33,111
Accounts receivable - unbilled	(1,569)	6,232
Prepaid expenses and other current assets	(1,312)	1,428
Deferred contract costs	(13,411)	2,797
Other assets	(961)	3,261
Accounts payable	27,281	(3,959)
Accrued compensation and benefits	(1,782)	3,474
Deferred revenue	12,455	(9,091)
Income taxes	(13,816)	5,405
Other liabilities	(1,114)	32,179
Net cash provided by operating activities	16,274	59,347
<b>Cash flows from investing activities:</b>		
Proceeds from sale of business, net of transaction costs	-	1,871
Purchases of property and equipment	(8,200)	(7,390)
Capitalized software costs	(6,472)	(2,949)
Increase in marketable securities	(18,575)	(6,422)
Net cash used in investing activities	(33,247)	(14,890)
<b>Cash flows from financing activities:</b>		
Employee stock transactions	7,268	11,807
Repurchases of common stock	(10,139)	-
Payments on capital lease obligations	(1,121)	(1,294)
Tax benefit due to option exercises and restricted stock units vesting	1,058	3,121
Cash dividends paid	(6,434)	(6,531)
Net cash (used in) provided by financing activities	(9,368)	7,103
Net increase (decrease) in cash and cash equivalents	(26,341)	51,560
Cash and cash equivalents, beginning of period	59,073	39,545
Cash and cash equivalents, end of period	\$ 32,732	\$ 91,105

**MAXIMUS, Inc.**  
**Segment Information**  
(In thousands)  
(Unaudited)

	<b>Three Months Ended June 30,</b>		<b>Nine Months Ended June 30,</b>	
	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>
<b>Revenue:</b>				
Consulting	\$ 26,714	\$ 23,285	\$ 76,717	\$ 71,165
Systems	28,686	33,957	97,205	103,910
Operations	131,196	139,315	355,173	361,697
Total	<u>\$ 186,596</u>	<u>\$ 196,557</u>	<u>\$ 529,095</u>	<u>\$ 536,772</u>
<b>Gross Profit (Loss):</b>				
Consulting	\$ 11,148	\$ 9,937	\$ 31,512	\$ 30,097
Systems	6,644	8,293	30,511	26,758
Operations	(7,250)	40,201	38,597	64,729
Total	<u>\$ 10,542</u>	<u>\$ 58,431</u>	<u>\$ 100,620</u>	<u>\$ 121,584</u>
<b>Selling, General, and Administrative expense:</b>				
Consulting	\$ 7,330	\$ 7,917	\$ 22,182	\$ 24,230
Systems	9,654	11,910	29,356	31,879
Operations	15,871	15,631	45,106	49,145
Corporate/Other	(580)	(108)	(1,919)	(800)
Total	<u>\$ 32,275</u>	<u>\$ 35,350</u>	<u>\$ 94,725</u>	<u>\$ 104,454</u>
<b>Income (Loss) from Operations:</b>				
Consulting	\$ 3,818	\$ 2,020	\$ 9,330	\$ 5,867
Systems	(3,010)	(3,617)	1,155	(5,121)
Operations	(23,121)	24,570	(6,509)	15,584
Consolidating adjustments	580	108	1,919	800
Legal expense	(9,078)	(33,010)	(10,303)	(42,114)
Total	<u>\$ (30,811)</u>	<u>\$ (9,929)</u>	<u>\$ (4,408)</u>	<u>\$ (24,984)</u>

**MAXIMUS, Inc.**  
**Supplemental Pro Forma Information**  
(Dollars in millions, except per share data)  
(unaudited)

	Three Months Ended			Total
	Dec 31 2006	Mar 31 2007	Jun 30 2007	
<b>Income before taxes, as reported (GAAP)</b>	\$ (16.2)	\$ 3.9	\$ (9.0)	\$ (21.3)
Add back Texas project loss (1)	24.0	6.5	-	30.5
Add back legal and settlement expense	3.0	6.1	33.0	42.1
<b>Pro forma income before taxes (non-GAAP)</b>	<u>\$ 10.8</u>	<u>\$ 16.5</u>	<u>\$ 24.0</u>	<u>\$ 51.3</u>
<b>Diluted earnings per share, as reported (GAAP)</b>	\$ (0.48)	\$ 0.11	\$ (0.65)	\$ (1.02)
Add back Texas project loss (1)	0.71	0.18	-	0.89
Add back legal and settlement expense	0.09	0.16	1.30	1.55
<b>Pro forma diluted earnings per share (non-GAAP)</b>	<u>\$ 0.32</u>	<u>\$ 0.45</u>	<u>\$ 0.65</u>	<u>\$ 1.42</u>

(1) Pro forma adjustments for the Texas project loss are for periods presented through March 31, 2007. No pro forma adjustment is presented for the three months ended June 30, 2007 on the basis that the Texas project was profitable.

- XXX -

**MMS - Q3 2007 MAXIMUS, Inc. Earnings Conference Call**

**August 07, 2007, 9:00AM ET**

---

## CORPORATE PARTICIPANTS

**Lisa Miles**  
*MAXIMUS, Inc. - Director of IR*

**David Walker**  
*MAXIMUS, Inc. - CFO*

**Rich Montoni**  
*MAXIMUS, Inc. - President, CEO*

## CONFERENCE CALL PARTICIPANTS

**George Price**  
*Stifel Nicolaus - Analyst*

**Matthew Mckay**  
*Jefferies - Analyst*

**Charles Strauzer**  
*CJS Securities - Analyst*

**Allison Hiken**  
*UBS - Analyst*

**Steve Balog**  
*Cedar Creek Management - Analyst*

## PRESENTATION

---

### Operator

Ladies and gentlemen, welcome to the Maximus third quarter earnings call. During this session, all lines will be muted until the question-and-answer portion the call. If you need audio assistance please press star zero and an operator will assist you. At this time I'd like to turn the call over to Lisa Miles, Director of Investor Relations.

---

**Lisa Miles - MAXIMUS, Inc. - Director of IR**

Good morning and thank you for joining us for our third quarter earnings conference call. If you wish to follow along, we've posted a presentation on our website under the Investor Relations page. On the call today is Rich Montoni, Chief Executive Officer; and David Walker, Chief Financial Officer. Following our prepared comments we will open the call up to Q-and-A. Before we begin, I'd like to remind everyone that a number of statements being made today will be forward-looking in nature. Please remember that such statements are only predictions and actual events or results may differ materially as a result of risks we face including those discussed in exhibit 99.1 of our SEC filing. We encourage you to review the summary of these risks and our most recent 10-Q filed with the SEC. The Company does not assume any obligation to revise or update these forward-looking statements to reflect subsequent events or circumstances. And with that, I will turn the call over to Dave.

---

**David Walker - MAXIMUS, Inc. - CFO**

Thanks, Lisa, good morning. This morning the Company reported third quarter revenue totaling \$196.6 million and a net loss of \$14.4 million or a loss of \$0.65 per share. The loss was a result of a previously announced settlement and legal charge which generated an after-tax charge of \$1.30 per share in the quarter. Excluding this charge, earnings per share in the third quarter was \$0.65 per share, demonstrating our continued efforts to optimize the business. The Company achieved many firsts this quarter. The revenue of \$196.6 million is the highest posted in a quarter. Cash and marketable securities of \$214.8 million is a new Maximus high water mark and DSOs, our key metric for receivables management, was at 75 days, the best level ever obtained by the Company. The legal and settlement charge of \$33 million principally related to the previously disclosed settlement for an investigation on a contract in Washington, D.C. The \$33 million includes three components: \$30.5 million of settlement expense, \$1.2 million of legal costs associated with the D.C. matter, and a reserve of approximately \$1.3 million for future legal expenses related to the on-going arbitration with Accenture. A large portion of the legal and settlement expense of \$33 million is not tax deductible. This expense, net of the associated tax benefit of \$4.5 million, results in an after-tax charge of is \$1.30 per share. Overall, the results of our operations were consistent with our plans for the quarter. Our strong performance from the operation segment offset the anticipated charges in the systems segment which relate to our on-going to efforts to resolve legacy contract terms.

---



Let's jump into the details by segment. Let's start with the operation segment, which had a very strong quarter. The operations segment benefited from the new Texas contract to replace the legacy subcontract with Accenture. In addition to the good news from Texas, we enjoyed strong organic growth and margin expansion. Last quarter, Rich talked about several of our new wins in health and work force services that are now fully contributing and driving profitable growth in the segment. Revenue for the operations segment totaled \$139.3 million for the third quarter compared to revenue of \$131.2 million for the same period last year. The prior year revenue for the quarter included approximately \$17 million from a non-recurring voting hardware sale and a divested business. If we normalize for these items, the operating segment grew a healthy 22%. Half of this normalized growth came from the Texas project with the balance coming from organic growth. The operations segment posted an operating income of \$24.6 million in the quarter compared to a loss of \$23.1 million reported for the same period last year. Texas was the largest driver of this \$47.7 million improvement in operating income as it generated \$34.3 million of a loss in the third quarter of last year. As we previously mentioned, the new Texas contracts are profitable and also benefiting the current quarter with the collection of \$3.2 million in previously reserved receivables related to the Texas subcontract. The balance of the income growth is attributed to organic growth, margin expansion, timing on revenue recognition and change orders.

Consulting segment revenue was \$23.3 million for the third quarter and as expected operating income improved sequentially to \$2 million, or an operating margin of 8.7%. The consulting segment performed largely as expected during the quarter. Operating income and margin were lower compared to last year. This is primarily attributable to fluctuations as a result of the timing of work. We also experienced some softness which will continue for the near term as we transition the segment away from some of the contingent fee work we have traditionally performed in the Medicaid claiming area. We are working with our clients to help them understand how a more traditional fixed fee or hourly rate contract would be mutually beneficial. In addition, the consulting team continues to focus on expansion into new markets which Rich will talk about in greater detail later.

Moving onto the systems segment. Systems revenue in the third fiscal quarter grew to \$34 million compared to \$28.7 million reported for the same period last year. Revenue growth compared to last year was fueled by new contracts in the ERP division and steady growth in asset solutions. Despite this revenue growth, the segment lost \$3.6 million in the third quarter compared to a loss of \$3 million in the same period last year. This quarterly loss in the systems segments was primarily caused by charges in our justice division as we continue to resolve legacy contract contracts where the development scope was not clearly defined. The largest charge in justice relates to a reserve of receivables in a project in Connecticut. As we stated in last quarter's call, 2007 remains a transition year for the systems segment. We continue to deploy both technical and sales resources into our education systems division which launched an early version of its SchoolMAX student information system at the end of the last fiscal year. This softness in education is offset by the solid rebound of the ERP division with a refreshed backlog of profitable contracts relative to last year.

As I said earlier, our strong performance from the operations segment offset the anticipated charges in the systems segment which relate to our on-going efforts to resolve legacy contract terms. We continue to aggressively manage legacy contracts and leverage processes to ensure new contracts are awarded with equitable terms. Overall, excluding legal charges, we delivered an operating margin of 11.7%. We continue to believe that long-term Maximus can consistently deliver an operating margin in excess of 10%.

Moving on to balance sheet and cash flow items. We ended the third fiscal quarter with cash, cash equivalents and marketable securities of \$214.8 million, which is before the outlay of cash for the D.C. settlement which was paid out in July. Our accounts receivable for the quarter totaled \$160.7 million. We also have \$1.9 million in long-term accounts receivables which are classified within our other assets on the balance sheet. Our receivables decreased \$5.1 million over last quarter while revenue sequentially increased \$17.5 million. This drove our DSOs in the quarter down to 75 days. The improvement in DSOs is one of the indicators that we are focused on equitable business terms. We are resolving legacy contracts, with back-ended contract retentions and are focused on business discipline and teamwork. We are very pleased with this record DSO level. As a result of this improvement, we now expect normalized DSOs in the long-term to be in the range of 75 to 85 days. As you know, cash flow in the quarter was very strong. Cash provided from operating activities totaled \$34.3 million in the quarter with free cash flow of \$29.7 million. Because of the D.C. settlement, cash flow in the fourth quarter is expected to be negative. And with that, I'll turn it the call over to Rich.

---

**Rich Montoni - MAXIMUS, Inc. - President, CEO**

---

Thanks, David, and good morning, everyone. Overall, as David noted, it was a strong quarter that reflects the solid operational progress we've made over the last year. We've made strides in shifting the overall quality of the Company's business portfolio with better project management, increased oversight, and more favorable terms. We continue to gain more traction from the many actions we've taken over the last year to improve and optimize operations and it's reflected in our financial results. Moving into the results for quarter, excluding the impact from the previously disclosed settlement and legal expenses we met earnings expectations for the period. While the magnitude of the settlement in D.C. was greater than expected, I'm pleased to put this matter behind us. This settlement, along with our announcement to retain UBS to help explore strategic alternatives reflects our overriding strategic focus on maximizing shareholder value by optimizing the business, including our product offerings, cleaning up legacy issues, improving oversight and risk management and better positioning Maximus for the long-term -- for long-term profitable growth.

Since these announcements two weeks ago, the Company's done aggressive outreach to its clients and employees. Our extensive outreach efforts reinforced our commitment to provide superior solutions and further enhance our capabilities as part of our strategic review. Clients understand our interest in exploring alternatives at this stage in our development and favorably view our interest in broadening our core capabilities and service offerings. Technology is driving the convergence of services in the market. Increasing our IT capability to complement our programmatic expertise is essential. This will enhance the solutions we're able to provide our clients so that we remain competitive for the long haul, particularly as a prime contractor. The path of exploring strategic alternatives is driven principally by our interest to broaden our capabilities and enhance service delivery to our clients.

On the D.C. settlement, we took a direct and thorough approach to resolving the matter and to communicating with our clients. We've taken full responsibility for the actions of our former employees and have implemented several remedial steps in addition to entering into a corporate integrity agreement with the U.S. Department of Health and Human Services.

Along with client communications, we also conducted extensive outreach to our employees on the recent developments. I believe our employees are our greatest asset, providing clients with subject matter expertise that distinguishes the Company in the government services sector. Additionally, their support throughout the strategic review process is essential to the long-term success of Maximus and we've been very pleased with their commitment to excellence since we've announced our intentions. We want to personally thank them for their support and continued client service. Our main priority remains squarely focused on providing our government clients with a level of service that has defined the Company over the last 32 years.

So let's talk about our business in more detail starting with the operations segment. Our operations segment had a very solid quarter across the board. We were very pleased with the contribution that our Texas operations made during the period. This is the results of four interim agreements we reached directly with the state earlier in the year. We are working to finalize the details of longer term contracts which we hope to have in place by September 1st. We expect three of these contracts to run for another 16 months and the fourth is expected to run through June of 2010. We've made significant operational progress in Texas over the last six months and we have no new updates regarding the on-going arbitration with Accenture, which remains on-going.

Needless to say I'm very pleased with the operational turnaround in Texas and I'm also pleased to note that we continue to expand our leading market presence in the health services and human services markets. On the call last quarter, I talked about some new wins in our domestic work force services business but we continued to also expand our footprint in Australia where Maximus is one of the highest performing providers in finding employment as part of the Australian government's welfare to work initiative. In addition to our current work, Maximus just secured another 11 sites for the Australian work force services program; it's called the Job Network. We expect this new work alone will contribute \$25 to \$30 million in revenue beginning this mid-August and will run through June of 2009. The term on this new contract is shorter than what we typically see in this business because the entire program will go back out for competitive rebid in the next 18 to 24 months. We feel very good about our market position there and we're excited about expanding our welfare to work opportunities both domestically as well as abroad.

In the consulting segment, we continue to make inroads into new areas. Over the last year we've reduced the overall percentage of consulting business coming from contingent-fee contracts going from about 30% in fiscal '06 to roughly 20% for fiscal '07. This reflects the changing revenue mix as we successfully go after new lines of work on a fee for service basis. We expect some near-term transitional softness as we cycle through projects under old contingent fee terms but at the same time, we've started to refresh the overall backlog of work with new contracts such as one in Oklahoma under fixed fee terms. We are also identified other new areas of interest including the fraud, waste and abuse market which I've talked about last quarter. But we're also seeing increasing demand in the area of IV&V consulting, which is independent verification and validation and quality assurance work for the implementation of new state systems. We've been successfully doing IV&V work for years. In fact, part of our strategy in the consulting segment has been to utilize our subject matter expertise and take advantage of our historical strength in providing IV&V quality assurance and program management support services. In this area alone we've seen increased demand for assistance and support for personnel systems as a result of the upcoming retirement wave expected in the government market.

---

While we've certainly made great operational progress overall, we still have certain challenges, particularly in the systems segment. As David noted, excluding the charges related to a few contracts for the systems segment, it was essentially running break even, similar to last quarter. Our efforts remain focused in managing and resolving these older contracts that have terms and statements of work that are not well defined. This includes our work on the Connecticut Collect project where we continue to work on a resolution plan with the client.

Switching gears to our new sales awards and pipeline, I'm pleased with the progress we've made again this quarter. As noted in the press release, year-to-date new signed awards totaled \$423 million, of which, over 60% of new signed awards are coming from work in the operations segment. Additionally, well over 50% of the new signed awards carry total contract values between \$5 million and \$45 million. This is an on going reflection of our efforts of securing new work that is less volume-driven and falls well within our core competencies in the health and human services arena. We also reported contracts that have been awarded but are unsigned as of August 1st that totaled \$339 million. Our total sales pipeline remains robust at \$1.3 billion, which reflects total opportunities we are tracking across all segments of our business.

So let's wrap up with guidance. As disclosed in this morning's press release, the Company expects total revenue for fiscal 2007 to be in the range of \$740 million to \$750 million. We've tightened the range because we now expect revenue from the Texas project to be running slightly lower than previously anticipated. The current run rate in Texas is approximately \$7 to \$8 million per month. The lower contribution is partly due to the timing of program expansion. For fiscal 2007, which includes Texas project losses as well as legal and settlement expense through the third quarter, we expect a GAAP loss of \$0.35 to \$0.45 per share for the full fiscal year. Now excluding these charges, non-GAAP pro forma EPS for the full year 2007 is expected to be in the range of \$2.00 to \$2.10 per share. You may want to reference the last table in the press release for year-to-date support on these metrics. Last quarter, we also established preliminary fiscal 2008 guidance which remains largely unchanged with the revenue growth we expect to be north of 10%. Based on some of the broad demand and strength in organic growth we're also slightly increasing our diluted earnings per share estimates for fiscal 2008. We now expect diluted earnings per share to be in the range of \$2.35 to \$2.65 per share for fiscal 2008. And with that let's open up the call for questions.

## QUESTION AND ANSWER

---

**Operator**

(OPERATOR INSTRUCTIONS) Our first question is from the line of George Price with Stifel Nicolaus. Please go ahead.

---

**George Price - Stifel Nicolaus - Analyst**

Hi, nice quarter guys, thanks very much for taking my questions. First just want to confirm the \$3.2 million in receivables that was collected but previously reserved so that there was a reversal in the quarter, right?

---

**David Walker - MAXIMUS, Inc. - CFO**

That's correct.

---

**George Price - Stifel Nicolaus - Analyst**

Okay. And I guess how much is -- are there other accrued reserves, anything else with regard to Texas that if you collect on or other milestones or events that we could see reversals?

---

**David Walker - MAXIMUS, Inc. - CFO**

---

There are some that are tied up in the arbitration, but we're not currently forecasting that you'll see any of that this year.

---

**George Price - Stifel Nicolaus - Analyst**

Okay. And then last thing and then I'll turn over. With regard to the fiscal '08 guidance, can you give us some assumptions behind that in terms of margin, operating margin, tax rate, share count assumption, anything like that?

---

**Rich Montoni - MAXIMUS, Inc. - President, CEO**

George, this is Rich. Good morning.

---

**George Price - Stifel Nicolaus - Analyst**

How you doing?

---

**Rich Montoni - MAXIMUS, Inc. - President, CEO**

I'm doing fine, thank you. Here are my comments on the fiscal '08 guidance at this point and time. First off, our general practice is to provide detailed color when we wrap of our planning process and we're doing that this month. It'll continue partly into September and generally we give detailed commentary when we release the Q4 results. But the overall considerations that are reflected or behind our new guidance, one, first off, it's important to look at '07, a base of '07 and that's in the range of \$2.00 to \$2.10 for base operations if you will, sort of a normalized number, and we expect that will grow into \$2.35 to \$2.65 in fiscal '08. So it gives you a perspective. From a top line perspective, we expect growth north of 10%. The key drivers in that, the biggest contributor to that growth will be our operations segment and behind that, will be we'll have Texas for a full year. As we've talked about, we've continued to see some very successful wins in our work force services business. So that will be a major factor in our growth in '08.

We expect and also and I just talked about it, Max network has some real growth from a revenue perspective that will be a distinguishing contributor in '08. From an operating income perspective, the key drivers will again be the operations segment, number one, and really the same three items that I mentioned, the Texas project, work force services and Max network. We also expect that the systems segment will be a differentiator and that we expect it to be profitable in FY '08 versus FY '07. Generally, we expect to see fewer and lesser project losses as we benefit from the improving caliber of our project portfolio. And I think it reflects our continued efforts to optimize our operations as we've been talking about for the last 12 months. From a margin perspective, I do think the overall margin will end up north of 10% for fiscal '08 but I'll defer any detailed discussion until we get into results for the fourth quarter.

---

**George Price - Stifel Nicolaus - Analyst**

Should we just assume the tax rate stays at about what, 40% generally been your guidance?

---

**David Walker - MAXIMUS, Inc. - CFO**

Is generally what we're using. We're actually using 42% exclusive of these one-time charges related to D.C. for the bulk of this year. But 40% for '08 and beyond is very reasonable.

---

**George Price - Stifel Nicolaus - Analyst**

Great. Thank you.

---

**Operator**

Our next question is from the line of Matthew McKay with Jefferies. Please go ahead.

---

---

**Matthew Mckay - Jefferies - Analyst**

Great, good morning, guys. First question, on the \$2.00 to \$2.10 base pro forma EPS, does that include the \$0.12 for the Ontario loss provision in Q1.

---

**Rich Montoni - MAXIMUS, Inc. - President, CEO**

It excludes all of the -- that's right, it does include the loss, Matt.

---

**Matthew Mckay - Jefferies - Analyst**

Just curious why you'd include that in that base EPS?

---

**Rich Montoni - MAXIMUS, Inc. - President, CEO**

I think you have to go to that exhibit, which is page ten of the press release. The supplemental pro forma. And we've chosen, and again it's pro forma information but to give you a base, arguably you could adjust it further so you'd have north of \$2.00 to \$2.10. But we've chosen to adjust those that are truly extraordinary and that was Texas and the legal and settlement expenses. That's what's excluded to get to the \$2.00 to 2.10.

---

**Matthew Mckay - Jefferies - Analyst**

Okay. Fair enough. And DSO should -- is that going to continue to trend down do you think?

---

**David Walker - MAXIMUS, Inc. - CFO**

What we're essentially saying and it depends on working capital usage. We think between 75 and 85 days is a pretty good range that we think the DSOs will move between.

---

**Matthew Mckay - Jefferies - Analyst**

Okay. And then just a -- what do you expect for capitalized software and CapEx per quarter going forward?

---

**David Walker - MAXIMUS, Inc. - CFO**

It tends if you look at the total CapEx, cap software and stuff, tends to run about 2.5% of revenue and generally speaking our use of capital's pretty consistent historically.

---

**Matthew Mckay - Jefferies - Analyst**

Okay, thanks a lot guys.

---

**Operator**

(OPERATOR INSTRUCTIONS) Our next question is from the line of Charles Strauzer with CJS. Please go ahead.

---

**Charles Strauzer - CJS Securities - Analyst**

---

Good morning..

---

**Rich Montoni - MAXIMUS, Inc. - President, CEO**

Good morning, Charlie.

---

**Charles Strauzer - CJS Securities - Analyst**

Rich, if you can expand on the Q4 guidance that's inherent for the rest of the year, can you just give us a better sense of the segment margin expectations?

---

**Rich Montoni - MAXIMUS, Inc. - President, CEO**

Yes, be glad to do that. I think the fourth quarter we expect to be relatively consistent with the third quarter. I would tell you that we expect to see some shifts between the segments, I think you should expect that the operations segment won't perform to the stellar level, because as David talked about, you had a one-time recovery which we're not forecasting anything of that nature in the fourth quarter related to the Texas contract, and we expect that the systems segment will perform better than it did in the third quarter. So I would say those are the macro shifts from a segment perspective.

---

**Charles Strauzer - CJS Securities - Analyst**

So Xing out the one-time charge a little bit better than break even, maybe slightly profitable?

---

**Rich Montoni - MAXIMUS, Inc. - President, CEO**

The systems piece?

---

**Charles Strauzer - CJS Securities - Analyst**

Yes.

---

**Rich Montoni - MAXIMUS, Inc. - President, CEO**

Correct.

---

**Charles Strauzer - CJS Securities - Analyst**

And what was the FAS 123R expense in the quarter?

---

**David Walker - MAXIMUS, Inc. - CFO**

Do you have that handy? We'll get it in a minute.

---

**Rich Montoni - MAXIMUS, Inc. - President, CEO**

We'll research that for you. Do you have any other questions in the interim, Charles?

---

**Charles Strauzer - CJS Securities - Analyst**

---

Yes, Rich, just for you. You mentioned, maybe David mentioned that the education market was a little bit soft on the systems side as well. Is there something, kind of a broader macro theme, that you're seeing there or is it just specific to certain clients? Can you expand on that a little bit?

---

**Rich Montoni - MAXIMUS, Inc. - President, CEO**

My sense on the education market is it's a fairly large market, robust market. I do think the industry needs new technology. Maximus has made some investments in technology and we're early stages and I think that's probably driving our financial performance as opposed to any commentary on the market as a whole. So it's basically our stage and it's an early stage in operation for us and we're in the process of building out that technology, new releases. We've got three or four clients that's were in the process of implementing that and we've made some investments in sales and marketing so that's having an impact. Things should improve as we move forward towards a more mature model.

---

**Charles Strauzer - CJS Securities - Analyst**

Got it. And just staying in the system's segment for one more second. If you look at where you are from a legacy contracts versus some of the new contracts coming into the portfolio, where do you think you are in kind of working out some of the more problematic legacy contracts? .

---

**Rich Montoni - MAXIMUS, Inc. - President, CEO**

My belief is that we've turned the corner from a total Company perspective and from a systems perspective as it relates to getting our arms around problem contracts and there's an inflection point that you reach where you feel that you've got a normalized portfolio and it's reasonable. I think we've reached that from a total Company perspective. Overall, I would say operations did the best job to get their first, Charlie, and I would also say the system's segment probably had the biggest challenges and remains to the biggest challenges but from a total portfolio perspective I think we've turned that corner.

---

**Charles Strauzer - CJS Securities - Analyst**

Great. Thank you very much.

---

**David Walker - MAXIMUS, Inc. - CFO**

Charlie, Dave Walker. The FAS 123R was \$800,000 in the quarter.

---

**Charles Strauzer - CJS Securities - Analyst**

Is that a good number to use in Q4?

---

**David Walker - MAXIMUS, Inc. - CFO**

Yes, I think so.

---

**Charles Strauzer - CJS Securities - Analyst**

Okay. Great, thank you, Dave, thanks, Rich.

---

**Operator**

Our next question is from the line of Jason Kupferberg with UBS. Please go ahead.

---

---

**Allison Hiken - UBS - Analyst**

Hi, this is Allison Hiken in for Jason. Was wondering, because Maximus is in the midst of reviewing your strategic alternatives, have you seen any tangible impact on the pipeline, bookings over employee turnover? We've seen that in the past with other companies after they announced something like this. I was just wondering if you were worried about that. Wondering if you're worried about that.

---

**Rich Montoni - MAXIMUS, Inc. - President, CEO**

I heard the first part of the question have we seen any impact on the pipeline. The second part what where you broke up.

---

**Allison Hiken - UBS - Analyst**

The bookings or employee turnover.

---

**Rich Montoni - MAXIMUS, Inc. - President, CEO**

That's a great question and that's something we've given a lot of thought to and spent a lot of time with a very detailed program, outreach program, as I talked about in the call notes, directed at our clients and also directed at our employees. As it relates to clients it's very interesting, clients remain very concerned, but their number one concern is that they continue to receive the high level of service that they've contracted to receive, they've received in the past and quite frankly they believe Maximus is distinguished in many, many regards so they want to see that preserved. They also are very appreciative of, I'll say the foresight to think about the next decade and what their services might be so they encourage open thought, i.e. our strategic process, to bring to bear leading edge technologies and capabilities over the next decade, but again, subject to them not missing a beat as it relates to their on-going service. That's very, very important and obviously as a management team, we will remain intensely focused on that which leads us to our employees and we've had an extensive outreach program, communications program with our employees and as you might expect there's a number of employees that initially are very concerned about what's it means to them, what's it means to their position. I will tell that you our belief, and I think our employees acknowledge this, is that at the project level there's very, very little risk. The heart of our business is our employees. It is what distinguishes Maximus in the marketplace, our subject matter expertise. So we need to continue that and nobody will invest in this Company without a program to preserve that subject matter expertise. So our belief is that it offers more opportunity in the long term to our clients and our employees. There's some individuals that could theoretically be impacted and we've got special programs to make sure that they're taken care of and retained as appropriate. So good question, very much in the forefront of our mind and I think we're doing the right things to make sure we continue to and we don't lose this ground and continue to gain ground.

---

**Allison Hiken - UBS - Analyst**

Okay. Great. And then just one other question on Texas, can you kind of give us a rough sense of how much, like the magnitude of revenues from Texas that you're expecting for in your fiscal '08 guidance contribution?

---

**Rich Montoni - MAXIMUS, Inc. - President, CEO**

I think we've pretty much taken a steady state approach to that. I said it's running \$7- \$8 million a month. I think in our FY '08 guidance, we've assumed pretty much that steady state.

---

**Allison Hiken - UBS - Analyst**

Okay. So this is not dependent on Accenture's final negotiation results?

---

**Rich Montoni - MAXIMUS, Inc. - President, CEO**

That's correct. We do not have anything in our fiscal '08 forecast for a settlement positive or negative with Accenture.

---



---

**Allison Hiken - UBS - Analyst**

Okay. Great. Thanks guys.

---

**Operator**

Our next question is from the line of Steve Balog with Cedar Creek Management. Please go ahead.

---

**Steve Balog - Cedar Creek Management - Analyst**

Thanks. Margins in the operations segment. They're really good if you take out the accounts receivable reversal, they're still good. Well, well above 10% and I'm just wondering if that's sustainable? There's another company in the government services area, smaller and to a layman like myself, I think it's similar. They claim you just shouldn't go over 10% or the customers kind of get mad at you. They don't like to see you making that much money off the government. Is there something different about your business or that makes this okay to be that profitable in this area?

---

**Rich Montoni - MAXIMUS, Inc. - President, CEO**

I think there's a little bit of seasonality in the June quarter that reverses in subsequent quarters and certainly isn't there in the December and March quarters. And that's our tax claiming business so that will temper it done a little bit. I do think conceptually you're right. There's a watchful eye on margins that are egregious. I don't think that our portfolio is such that we're egregious. I think we're fair with our customers. You may want to temper that a little bit, certainly for the reversal of the reserve, as you mentioned, and a bit of the seasonality and then I think we end up in that normalized range. As you know we've challenged ourselves to get our business north of 10%. We're pleased to get there this year. We think it's sustainable. I don't want to raise the bar at this point in time and say, especially the operations segment, is a consistent north of 10 to 12% deliver. I think it's fair and I think it's north of 10%.

---

**Steve Balog - Cedar Creek Management - Analyst**

Great, thanks.

---

**Operator**

Our last question is a follow-up question from the line of George Price with Stifel Nicolaus. Please go ahead.

---

**George Price - Stifel Nicolaus - Analyst**

Thanks very much. In terms of the fiscal '07 revenue guidance, down \$20 million at the top end the range. How much of that, obviously some of that is Texas, how much of that is sort of lost or should we assume that it's all shifted into fiscal '08 or can you give us a little color on that?

---

**Rich Montoni - MAXIMUS, Inc. - President, CEO**

Go ahead, David.

---

**David Walker - MAXIMUS, Inc. - CFO**

Yes, George it's largely Texas and I think it's a new program. We're trying to get a good read on it and that's all. That's largely what it is.

---

**George Price - Stifel Nicolaus - Analyst**

Okay. So is it shifted or lost? I guess --

---

---

**Rich Montoni - MAXIMUS, Inc. - President, CEO**

I think it's more lost and we're not going to forecast any shift until we see the indication from the client that the increase in monthly revenue is there. I think initially when we forecasted the new operations for Texas, we were thinking a monthly run rate in the vicinity of \$10 million and it's proven to be slightly less than that in the \$8 million range and that's really based upon the client's ramp plan. So that's what we've continued out. I wouldn't say that it's shifted into '08, George.

---

**George Price - Stifel Nicolaus - Analyst**

Okay. All right, I just wanted to be clear on that. And then, in terms of the Australian work force program, you said \$25 to \$30 million through '09. Was that over that period. So is that over two fiscal years then?

---

**Rich Montoni - MAXIMUS, Inc. - President, CEO**

I think it's slightly less than that. I think it's 22 months starting in August.

---

**George Price - Stifel Nicolaus - Analyst**

Okay. And is this work similar to the stuff that you did in Israel?

---

**Rich Montoni - MAXIMUS, Inc. - President, CEO**

It's similar to the work that we are doing in Israel and it's very similar, it's actually an expansion of the work that we're already doing in Australia. In fact, the award comes to us by a reallocation based upon performance of the existing providers and our team out there has done just a phenomenal job and distinguishes itself as one of the top providers in of welfare work services in Australia. That's at driver behind the award.

---

**George Price - Stifel Nicolaus - Analyst**

Is all that \$25 to \$30 million, is that all incremental?

---

**Rich Montoni - MAXIMUS, Inc. - President, CEO**

Yes.

---

**George Price - Stifel Nicolaus - Analyst**

Okay. Great, thank you.

---

**Rich Montoni - MAXIMUS, Inc. - President, CEO**

Okay. Thank you.

---

**George Price - Stifel Nicolaus - Analyst**

Actually one other thing. How is Israel going by way?

---

**Rich Montoni - MAXIMUS, Inc. - President, CEO**

---

Israel has gone fine. It's up for rebid at this point in time. So, it's performed according to plan and we are anxious to proceed to the next chapter.

---

**George Price - *Stifel Nicolaus - Analyst***

How much is up for rebid on an annual basis and when's the decision point?

---

**Rich Montoni - *MAXIMUS, Inc. - President, CEO***

The decision point is current and on an annualized basis, the revenue is, it's about a 6 to \$8 million run rate.

---

**David Walker - *MAXIMUS, Inc. - CFO***

Yes, but we, just a reminder, we own 55% of that, so then we have to eliminate any profits, that or a minority interest in the bottom line. Got you. Okay, thank you.

---

**Operator**

Ladies and gentlemen a replay of this call will be available to you. The replay information can be found on the press release. The direct link is [reg.linkconferencecall.com/digitalplayback/digitalplaybackregistration.aspx?recid=5661](http://reg.linkconferencecall.com/digitalplayback/digitalplaybackregistration.aspx?recid=5661). Ladies and gentlemen this includes today's presentation. Thank you for your participation. You may now disconnect.

---



**David N. Walker**  
**Chief Financial Officer and Treasurer**  
**3<sup>rd</sup> Quarter Fiscal 2007**

August 7, 2007

---



## Third Quarter FY2007 Results

- Revenue totaling \$196.6 million
- Net loss of \$14.4M or a loss of \$0.65 per share
  - Loss was a result of previously announced settlement and legal charge; generated an after-tax charge of \$1.30 per share
- Excluding legal charge, 3<sup>rd</sup> Quarter EPS was \$0.65
- Q3 Achievements
  - Record revenue of \$196.6M
  - Cash and marketable securities \$214.8M
  - DSO's at 75 days; best level ever attained
- Legal and settlement charge of \$33 million
  - \$30.5M of settlement expense
  - \$1.2M of legal costs
  - \$1.3M reserve for future legal expenses



## Results by Business Segment

- Operations Segment benefited from the new Texas contract, strong organic growth and margin expansion
  - Revenue totaled \$139.9M for Q3'07 compared to \$131.2M Q3'06
  - Normalized for large hardware sale and divested business, reflects a 22% growth increase; 57% was from sources outside the Texas contract
  - Operating income of \$24.6M in Q3'07 compared to a loss of \$23.1 for Q3'06
  - Texas contract lost \$34.3M in Q3'06
  - \$3.2 million collection in reserved receivables
  
- Consulting Segment performed as expected for Q3
  - Revenue \$23.3M; operating income improved sequentially to \$2.0M, operating margin of 8.7%
  
- Systems Segment
  - Revenue grew to \$34.0M Q3'07 compared to \$28.7M Q3'06
  - Loss of \$3.6M Q3'07 compared to a loss of \$3.0M Q3'06
  - 2007 is a transition year for this segment
  
- Overall, excluding legal charges, delivered an operating margin of 11.7%



## Balance Sheet and Cash Flow Items

- Cash, Cash equivalents, and marketable securities of \$214.8 million
- Accounts Receivables totaled \$160.7 million; \$1.9 million in long-term accounts receivables
  - Relative to Q2'07 receivables decreased \$4.7M; revenue increased \$17.5M
- DSOs improved to 75 days
  - Improvement is an indicator of focus on equitable business terms, resolving legacy contracts with back-ended contract retentions and focus on business discipline and teamwork
- Cash provided from operating activities totaling \$34.3 million, free cash flow of \$29.7 million



**Richard A. Montoni**  
**President and Chief Executive Officer**  
**3<sup>rd</sup> Quarter Fiscal 2007**

August 7, 2007

---





## Third Quarter Results

- Met expectation for the period, excluding legal impacts
- Shift in quality of business portfolio reflected in financial results
  - Better project management
  - Increased oversight
  - Improved terms
- Retained UBS to help explore strategic alternatives and maximize shareholder value
  - Optimize the business
  - Clear out legacy issues
  - Improve risk management
  - Position MAXIMUS for long term profitable growth



## Client and Employee Outreach

- Reinforced our commitment to providing superior solutions
- Technology driving convergence of services
- Increase IT capabilities to complement our programmatic expertise
- Employees are our greatest asset, distinguishing the Company in the government services sector
- Priority remains focused on providing our government clients with a level of service that has defined MAXIMUS for the past 32 years



## Segment Results

- Operations Segment: solid quarter across the board
  - Texas made a strong contribution; result of four interim agreements reached with the State
    - Finalizing details of longer-term contracts
    - Expect to have in place by September 1, 2007
    - Three contracts to run for another 16 months, fourth to run through June 2010
  - Secured another 11 sites for the Australian Job Network
    - Contributing \$25 - \$30 million in revenue mid-August through June 2009
- Consulting Segment
  - Contingent fee revenue reduction from 30% in FY06 to 20% in FY07
  - New areas of interest including increased demand in IV&V Consulting
- Systems Segment
  - Excluding charges, running break-even
  - Focused on managing and resolving older contracts



## New Sales Awards and Pipeline

- \$423 million new awards signed
  - 60% of new signed awards from Operations Segment
  - Over 50% of new signed contracts carry total values between \$5M and \$45M
  - Reflects new, less volume-driven work in core business of health and human services
  
- \$339 million awarded but unsigned
  
- \$1.3 billion in overall sales pipeline
  - \$414M in proposals pending
  - \$61M in proposals in preparation
  - \$851M in opportunities tracking



## Conclusion and Guidance

- Fiscal 2007 now expecting total revenue of \$740 million to \$750 million; GAAP loss of \$0.35 to \$0.45
- Excluding Texas project losses as well as legal and settlement expense, non-GAAP pro forma EPS for FY 2007 expected to be in the range of \$2.00 to \$2.10 (reference last table in press release for YTD support)
- Refining fiscal 2008 preliminary guidance: revenue growth expected to be north of 10%; diluted EPS of \$2.35 to \$2.65