UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1999
COMMISSION FILE NUMBER: 1-12997

MAXIMUS, INC.
(Exact name of Registrant as specified in its Charter)

VIRGINIA	54-1000588
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1356 BEVERLY ROAD, MCLEAN, VIRGINIA 22101
(Address of principal executive offices including zip code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (703) 734-4200
SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

COMMON STOCK, NO PAR VALUE
(Title of Class)

NEW YORK STOCK EXCHANGE
(Name of each Exchange on which registered)

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

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 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 [X]   NO [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [ ].

The approximate aggregate market value of voting stock held by non-affiliates of the Registrant as of December 8, 1999 was $411,114,876 based on the last reported sale price of the Registrant's Common Stock on the New York Stock Exchange as of the close of business on that day. (On the same basis, the aggregate value of the voting stock, including shares held by affiliates was $680,153,651). There were 21,008,607 shares of the Registrant's Common Stock outstanding as of December 8, 1999.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Definitive Proxy Statement for its 2000 Annual Meeting of Shareholders to be held on February 23, 2000, which Definitive Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after the Registrant's fiscal year-end of September 30, 1999, are incorporated by reference into Part III of this Form 10-K.

PART I

ITEM 1. BUSINESS

OVERVIEW

MAXIMUS, Inc. ("MAXIMUS" or the "COMPANY") is a leading provider of program management and consulting services to government agencies throughout the United States. Since its inception in 1975, the Company has been at the forefront of innovation in meeting its mission of "Helping Government Serve the People-TM-." MAXIMUS's services are designed to make government operations more efficient and cost effective while improving the quality of the services provided to program beneficiaries. The Company applies an entrepreneurial, private sector approach, utilizing advanced technology in projects in almost every state in the nation and in markets in several foreign countries.

MAXIMUS conducts its operations through two groups: the Government Operations Group and the Consulting Group. The Government Operations Group administers and manages government health and human services programs, including welfare-to-work and job readiness, child support enforcement, managed care enrollment, children's health insurance and disability services. The Consulting Group provides planning and management, information technology consulting, electronic government products and services, strategic program evaluation, program improvement, financial management, revenue maximization, fleet management and other public sector-related consulting services to government agencies. In fiscal 1999, the Company continued its strategy of expanding its Consulting Group by combining with four additional consulting firms, and it estimates that it continues to be the largest provider of general consulting management services to state and local government agencies in the United States.

MARKET OPPORTUNITIES

The Company believes that providing program management and consulting services to government agencies represents a significant market opportunity. Federal, state and local government agencies in the United States spend more than $250 billion annually on the health and human services programs to which the Company markets its services, including Medicaid, Food Stamps, Temporary Assistance to Needy Families, Child Support Enforcement, Supplemental Security Income, General Assistance, Child Care and Child Welfare. The state-operated programs alone cost an estimated $23.9 billion annually to administer. This figure does not include administrative costs for Medicare and Title II Disability Insurance, which are administered without state assistance. The following chart sets forth currently available data from U.S. government publications for programs served by the Company:

<TABLE>
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STATE-OPERATED PROGRAM	ESTIMATED NUMBER OF BENEFICIARIES SERVED	ESTIMATED ANNUAL ADMINISTRATIVE EXPENDITURES
<S>	<C>	<C>
Medicaid	36.1 million	$ 6.7 billion
Children's Health Insurance	10.6 million	4.8 billion
Food Stamps	22.9 million	2.8 billion
Temporary Assistance to Needy Families	9.4 million	2.1 billion
Child Support Enforcement	19.6 million	3.4 billion
Supplemental Security Income	6.6 million	2.0 billion
General Assistance/Social Services/Other	10.1 million	2.1 billion
	115.3 million	$23.9 billion

</TABLE>

In the last several years, there has been a surge in legislation and initiatives to reform federal, state and local welfare and health and human services programs. One of the most significant of these legislative reforms was the Welfare Reform Act, which restructured the benefits available to welfare recipients, eliminated unconditional welfare entitlement and, most importantly, restructured the funding relationships

between federal and state governments. Under the Welfare Reform Act, states receive block grant funding from the federal government and are no longer able to seek reimbursement in the form of matching federal government funds for expenditures in excess of block grants. Accordingly, states bear the financial risk for the operation of their welfare programs.

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

A more recent initiative at the federal level is the Balanced Budget Act of 1997 (the "BALANCED BUDGET ACT"), which established, among other programs, the State Children's Health Insurance Program (the "CHILDREN'S HEALTH INSURANCE PROGRAM"). This program provides federal matching funds to enable states to expand health care to targeted uninsured, low-income children over a five-year period. The federal government is making $20.3 billion available to states with federally-approved plans to expand state Medicaid programs, initiate new insurance programs or combine approaches. In June 1998, the Clinton administration also mandated sweeping protections to Medicare beneficiaries, including increased access to health plans by persons with pre-existing illnesses, added protections for women and non-English speaking beneficiaries and increased availability of specialists. Given the breadth and depth of the

Company's expertise, it believes it is well positioned to capitalize upon these new opportunities to assist states in planning, implementing and maintaining the increased enrollment and outreach that will be required by these new federal initiatives.

As national concern continues regarding the rights of enrollees in managed care plans, MAXIMUS has added an important element to its services through the acquisition of Network Design Group, Inc. dba the Center for Health Dispute Resolution ("CHDR"). CHDR operates the nation's largest system for the resolution of managed care medical service appeals through independent external review. CHDR offers an efficient and cost-effective external review system that impartially resolves disputes among health plans, subscribers and providers. CHDR is the sole national contractor to the Federal Health Care Financing Administration for external appeals in the Medicare Managed Care Program.

The Company believes that these legislative changes, when combined with political pressures and the financial constraints that inevitably result, will accelerate the rate at which state and local government agencies seek new solutions to reduce costs and improve the effectiveness of health and human services programs. The Company believes that government agencies will continue to turn to companies such as MAXIMUS to achieve these solutions. The Company believes that it more effectively administers government programs due to its ability to: (i) accept contracts where compensation is based on performance; (ii) attract and compensate experienced, high-level management personnel; (iii) rapidly procure and utilize advanced technology; (iv) vary the number of personnel on a project to match fluctuating work loads; (v) increase productivity by providing employees with financial incentives and performance awards and more readily terminating non-productive employees; (vi) provide employees with ongoing training and career development assistance; and (vii) maintain a professional work environment that is more conducive to employee productivity.

The Company believes that state and local governments will continue to seek its services despite the effect of economic cycles on government budgets. Historically, in times of both budget surpluses and deficits, state and local governments have relied on the private sector to deliver services to their citizens. In recent years, as governments at all levels have experienced budget surpluses, new programs (such as the Children's Health Insurance Program) have been initiated to assist even more sectors of society, increasing the population of beneficiaries of the Company's services. In more austere times, the population enrolled

in existing government health and welfare programs expands, requiring governments to spend more to administer these programs, but facing increased pressure to do so cost-effectively. As a result, even in depressed economic cycles, the Company's business has continued to expand.

The Company is recognized as a principal partner of state and local governments for program management and consulting. With more than 110 offices located throughout the nation, the Company has the local presence and decentralized organization to promote relationships with the executive and legislative branches of state and local governments. With more than 3,400 employees nationwide, the Company has more specialized resources than most state, city or county government agencies.

STRENGTHS AND DIFFERENTIATIONS

The Company believes that it has been a pioneer in offering state and local government agencies a private sector alternative to internal administration of government health and human services programs. The Company has also successfully increased the breadth of its service offerings to meet such demand from government agencies. The following business strengths and differentiating characteristics position MAXIMUS to capitalize on the significant market opportunities presented by the changing environment of health and human services program regulation:

SINGLE MARKET FOCUS. The Company believes that it is the largest company dedicated exclusively to providing program management and consulting services to government health and human services agencies, as well as the largest provider of general management consulting services to state and local government agencies. The Company has accumulated a detailed knowledge base and understanding of the regulation and operation of health and human services programs that allows it to apply proven methodologies, skills and solutions to new projects in a cost-effective and timely fashion. The Company believes that the size, depth and breadth of its health and human services program expertise and related areas of government program management differentiate it from both small firms and non-profit organizations with limited resources and skill sets as well as from large consulting firms that serve multiple industries but lack the focus necessary to understand the complex nature of serving government agencies.

EXPANDED CONSULTING GROUP. During fiscal 1999, the Company continued to expand its Consulting Group by merging three additional consulting companies with DMG-MAXIMUS: Control Software, Inc. ("CSI-MAXIMUS"), Norman Roberts and

Associates and Unison Consulting Group, Inc. These combinations increased the number of the Company's professional consultants from over 600 to approximately 750, and the Company believes it has the largest management consulting practice dedicated to serving state and local government in the United States. The Company believes that the expansion of its consulting practice provides it with significant competitive advantages including: (i) a more predictable source of revenues with operating margins similar to the established Consulting Group practice; (ii) a significant pool of experienced consultants with an established knowledge base, re-useable methodologies and valuable relationships with members of the executive and legislative branches of state and local governments; (iii) a broader suite of consulting services that are increasingly demanded by state and local government seeking a single-source provider of program management and consulting services including cost accounting; human resources consulting; executive recruiting; fleet management; software and systems integration; strategic planning, evaluation and implementation for government; electronic commerce and "smart card" technologies; and (iv) a broader client base that facilitates cross-selling opportunities between the Consulting Group and Government Operations Group.

PROVEN TRACK RECORD. Since 1975, MAXIMUS has successfully applied its entrepreneurial private sector approach to assisting government health and human services agencies. Over the last five years, the Company has successfully completed approximately 600 large-scale program management and consulting services projects for state and local health and human services agencies serving millions of beneficiaries in nearly every state. DMG-MAXIMUS alone provides consulting services to a client base of over 3,000 state and local agencies. The Company believes that the successful execution of these projects has earned the

Company a reputation for providing efficient and cost-effective services to government agencies while improving the quality of services provided to program beneficiaries. The Company's reputation has contributed significantly to its ability to compete successfully for new contracts. Additionally, the Company's acquisitions provide it with expanded service capabilities and an additional base of established clients that the Company believes will further enhance its reputation as a leading provider of high-quality management and consulting services to state and local government agencies.

WIDE RANGE OF SERVICES. Many of the Company's clients require their vendors to provide a broad array of service offerings, which many of the Company's competitors cannot provide. Engagements often require creative solutions that must be drawn from diverse areas of expertise. The Company's experience in a wide range of services enables it to better pursue new business opportunities and to position itself as an e-Government provider, an application software provider, as well as a single-source provider of program management, consulting and information technology services to state and local government agencies.

PROPRIETARY CASE MANAGEMENT SOFTWARE PROGRAM. The Company has developed a proprietary automated case management software program called the MAXSTAR Human Services Application Builder ("MAXSTAR"). MAXSTAR is a software platform that allows the Company to reduce project implementation time and cost. Because government agencies are often required to manage vast amounts of data and large numbers of cases without access to advanced technology and experienced professionals, the Company believes that MAXSTAR, together with the Company's experienced information technology professionals, is a key element of its success.

EXPERIENCED TEAM OF PROFESSIONALS. The Company has assembled an experienced management team of former government executives, state agency officials, information technology specialists and other professionals with backgrounds in the public health and human services industry. The Company's employees understand the problems and challenges faced in the marketing, assessment and delivery of government agency services. Furthermore, since state and local government administrators are subject to changing legislative and political mandates, the Company has developed strong relationships with experienced political consultants who inform and advise the Company with respect to strategic marketing opportunities and legislative initiatives.

GROWTH STRATEGY

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

CAPITALIZE ON TRENDS TOWARD OUTSOURCING GOVERNMENT FUNCTIONS. The Company believes that it is well positioned to benefit from the continued increase in demand for new program management and consulting services that has arisen in an environment characterized by changing regulation and evolving technology. The Company believes that fiscal pressures will compel state governments to continue to rationalize program operations and upgrade existing technology to operate more cost-efficient and productive programs. To achieve these efficiencies, the Company believes that many government agencies will turn to outside experts, such as the Company, for help.

AGGRESSIVELY PURSUE NEW BUSINESS OPPORTUNITIES. The Company believes that, throughout its 24-year history, it has been a leader in developing innovative solutions to meet the evolving needs of state and local health and human services agencies. The Company plans to expand its revenue base by: (i) marketing new and innovative program management solutions to the Company's extensive client base; (ii) expanding the Company's client base by marketing the Company's experience and established methodologies and systems; (iii) investing in early identification of government bid opportunities; and (iv) submitting competitive bids that leverage the Company's proven solutions for past projects.

CONTINUE TO ADD A RANGE OF COMPLEMENTARY CONSULTING SERVICES. The Company intends to continue to broaden its range of consulting services in order to respond to the evolving needs of its clients and provide cross-selling opportunities. The Company intends to continue to acquire or internally develop innovative technologies and methodologies that are required by government entities in order to effectively deliver public services.

PURSUE STRATEGIC ACQUISITIONS. Given the highly fragmented structure of the government services and consulting marketplace, the Company believes that it will continue to successfully identify and pursue attractive acquisition opportunities. Acquisitions can provide the Company with a rapid, cost-effective method to broaden its services, increase the number of professional consultants, broaden its client base, cross-sell additional services, establish or expand its presence geographically, or obtain additional skill sets. The recent acquisitions of CSI-MAXIMUS, Norman Roberts and Associates and Unison Consulting Group, Inc. have increased the Company's client base and brought the number of consultants to approximately 750.

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

GOVERNMENT OPERATIONS GROUP

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

CHILD SUPPORT DIVISION. The Company provides a full range of child support enforcement ("CSE") services, including: (i) outreach to and interview of parents of children entitled to child support; (ii) establishing paternity and obtaining, enforcing, reviewing and modifying child support orders; and (iii) payment processing. The Company operates statewide client service units, updates case arrearage and demographic data for new CSE automated systems and provides training to CSE workers. The Company believes that it has one of the largest CSE staffs in the private sector with over 800 professionals. The Company has been performing these services since 1976, which the Company believes is longer than any other private sector firm in the United States. The Company is currently engaged in the management of CSE programs in 11 states, providing full child support services and specialized services for over 950,000 cases. For example, in September 1999, the Company was awarded a three-year, $42 million, full-service CSE project for the city of Baltimore and Queen Anne's County, Maryland.

MANAGED CARE ENROLLMENT DIVISION. The Company provides a variety of project management services for Medicaid programs with a particular emphasis on large-scale managed care enrollment projects. In these projects, the Company provides recipient outreach, education and enrollment services; an automated information system customized for the particular state; data collection and reporting; collaborative efforts with community-based organizations and advocacy groups in conducting outreach and education activities; design and development of program materials; health plan encounter data analysis and reporting; and care coordination for Early and Periodic Screening, Diagnosis and Treatment services. The Company currently provides managed care enrollment contract services to more Medicaid recipients than any other public or private sector entity in the country, operating projects for the states of California, New York, Texas, Michigan, Colorado, Vermont, Massachusetts, New Jersey and Montana. The Company also administers programs for uninsured and underinsured children as part of the Children's Health Insurance Program in various states, including Michigan, Massachusetts, Vermont, New Jersey and Kansas.

WELFARE REFORM DIVISION. The Company manages welfare-to-work programs by providing a wide range of services, including eligibility determination, emergency assistance, job referral and placement, transition services such as child care and transportation, community work training services, job readiness preparation, case management services and selected educational and training services. The Company's typical welfare-to-work contract involves the engagement of the Company for a period of three to five years. The Company has served over 290,000 welfare recipients in numerous states, and has achieved an average employment placement rate in excess of 80%. During the 1999 fiscal year, the Company placed nearly 19,000 welfare recipients into jobs. For example, the Company has managed a three-year welfare reform contract in Milwaukee County, Wisconsin, and was recently awarded a $30 million two-year extension. In 1999, the Company was awarded a $17 million contract to provide eligibility and employment services as a pilot program for the State of Arizona with the potential for program expansion to a rural area and statewide. The Company was also awarded a contract extension in Orange County, California totaling $16 million. Additionally, this past year, the Company's welfare-to-work programs in Delaware, Lake County, California, Montgomery County, Maryland, and Prince Georges County, Maryland have been re-awarded to the Company as a result of its bids. The contract in Illinois for Supplemental Security Income for children was also renewed for another year. The Company continues to provide statewide child care services in Connecticut and Hawaii. As a result of the Company's efforts in Hawaii, the Company was recently awarded a one-year welfare-to-work contract there.

FEDERAL SERVICES DIVISION. The Company provides a host of large-scale, nationwide management services geared toward case management, innovative return-to-work strategies, program management and staffing support services. Areas of specialization include disability services, vocational rehabilitation, substance abuse/mental health services and justice administration. In 1995, MAXIMUS became the first company to operate a national case management and monitoring program for disability beneficiaries when it contracted with the Social Security Administration to provide referral and monitoring services to beneficiaries with drug or alcohol disabilities. Under the program, the Company successfully referred approximately 140,000 disabled beneficiaries into treatment as a first step to re-entering the work force. The Company intends to continue to leverage this experience by pursuing other large-scale program management contracts with other agencies of the federal government, including the Department of Justice and the Department of Veterans Affairs.

CONSULTING GROUP

The Company's Consulting Group is comprised of the following nine divisions: the Information Technology Solutions Division, the Systems Planning and Integration Division, the International Division, the Human Services Division, Phoenix-MAXIMUS, Spectrum-MAXIMUS, Carrera-MAXIMUS, DMG-MAXIMUS and CSI-MAXIMUS.

INFORMATION TECHNOLOGY DIVISION. The Company provides computer systems management and business process reengineering services to state, county and other local governments. The Company provides services associated with project management, including assessing current and future business needs, defining user requirements, designing automated systems, developing requests for proposals and providing evaluation assistance, contract negotiations and quality assurance monitoring services. Since 1991, the Company has provided information technology systems and design services for projects in more than 40 states in the nation. The Company also specializes in providing management consulting and information technology services such as systems planning, quality assurance and monitoring, systems requirements and design, change management, conversion, training and systems implementation to agencies administering criminal justice programs. In November 1997, the Company was selected by the State of Connecticut to provide project management and system integration services for the criminal justice information system Offender Based Tracking System for the Connecticut Office of Policy and Management. This $5.5 million contract will run through September 2001 plus a $1 million follow-on contract. The Company also provides systems planning, quality assurance and monitoring, systems

requirements and design, change management, and management consulting services to tax and revenue government authorities.

SYSTEMS PLANNING AND INTEGRATION DIVISION. The Company believes that its Systems Planning and Integration Division is a leading provider of strategic information management, procurement and contracting, systems quality assurance and systems implementation services to the rapidly expanding state health, human services and child support enforcement agency market. Using an experienced team of skilled project managers and information technology professionals, the Company has, in multiple projects across numerous states, assisted clients in the planning, design, procurement and implementation of information systems totaling nearly $1 billion. These complex, high-profile systems--which have ranged from $5 million to over $100 million and from 200 to 2,000 users--serve as the mission critical infrastructure for over $30 billion in annual health and human services expenditures. The potential market for the division's services has continued to expand in recent years. Welfare reform is forcing dramatic changes in eligibility systems for welfare programs. The number of work force development programs sponsored by the Department of Labor is also increasing. Significant changes to the systems supporting Medicaid, often the single largest budget item of state government budgets, will be required by the shifts from fee-for-service programs coupled with federally mandated competition for Medicaid Management Information Systems operations support. Given the Company's successful track record, core competencies and national market presence, the Company believes that it is well positioned to take advantage of the increased nationwide emphasis in state government on eligibility systems, managed care, child services and child support enforcement. Additionally, the Company believes that synergies between the Company's Consulting and Government Operations Groups and other strategic hires will uniquely position the Company to take advantage of the new market opportunities created by the enacted changes to managed care and the Children's Health Insurance Program.

INTERNATIONAL DIVISION. The Company provides health care consulting and systems services to assist foreign government agencies and public sector health care organizations responsible for the delivery of treatment services to the public. The Company automates and restructures clinical information systems for large outpatient providers, hospital information systems, managed care information systems, beneficiary management systems and treatment network management systems for managing large networks of health treatment facilities. In addition, the Company consults with foreign government agencies in developing health care policy reforms, treatment quality improvements and productivity enhancements. Currently, the division is engaged in two major automation projects in Egypt: installing a health care information system in four major hospitals in Cairo; and implementing a national health care system database in hospitals and clinics throughout the country to allow the Egyptian Health Insurance Organization to better manage its facilities. Additionally, in Argentina, the Company is providing organizational and management services to the health plan of an employee union with almost 500,000 members. In Brazil, the Company is administering two managed care systems. The Company has formed strategic alliances with partners in Argentina and Brazil in order to offer a broader array of services, including fleet management systems, criminal justice information systems and financial management systems.

HUMAN SERVICES DIVISION. The Company's Human Services Division provides program planning and implementation, revenue maximization and evaluation consulting assistance to human services, health and education agencies in state, local and federal government. The Company has completed comprehensive welfare reform planning and implementation projects for the District of Columbia and the State of Nevada, and has been engaged by the District of Columbia to provide planning and implementation assistance for a new Child Health Insurance Program. In addition to significant contracts with the federal Social Security Administration, the Company has completed over 15 projects, worth $10 million, in the past three years to help the District of Columbia improve its efforts in welfare, child welfare and systems. Revenue maximization projects, which involve increasing federal financial participation in state health and human services programs and which are generally carried out on a contingency fee basis, are ongoing or have been completed in 23 states. These states have received more than $603 million in additional federal

revenue as a result of the Company's efforts and expect current projects to yield another $540 million in new federal revenue. The Company also is frequently engaged to conduct evaluations of government programs and demonstrations. Program evaluation contracts, such as in Minnesota and North Carolina, are often multi-year research projects involving the collection of extensive data using automated data merges as well as surveys and case record reviews. In 1999, the Company was awarded significant program evaluation contracts in New Mexico and South Carolina. Since 1994, the Company has completed scores of welfare reform, revenue maximization and program evaluation projects for numerous states and localities.

PHOENIX-MAXIMUS. The Company's Phoenix-MAXIMUS Division provides health, transportation, education, banking and human service clients with expert assistance in planning, implementing and evaluating Electronic Funds Transfer, Electronic Benefits Transfer ("EBT"), Electronic Payment Systems, smart card, biometric recognition system, e-Commerce and e-Government consulting services and applications and related technologies. Responding to pressures to provide more time- and cost-efficient services, public-sector entities are increasingly following the general trend of moving from paper-based to electronics-based systems. The Company has developed an e-MAX suite of web-based solutions for electronic commerce ("EC") services designed to enable citizens access to government information, services, and transactions over the Internet. The Company is providing e-Government services for a range of citizen, business and internal government transactions, such as license/permit applications and renewals; program eligibility determination, verification, and recertification; procurement and purchasing; fee payments; and document submission and record retrieval. In addition to its cost efficiencies, EC technologies can provide more accurate record keeping, minimize paper transactions and offer greater security against fraud and theft. For instance, recognizing the advantages of EBT systems, which permit a recipient to transfer his or her public-assistance benefits directly from a government account to the product or service vendor, the federal government has mandated that all states must convert to EBT issuance under the Food Stamp Program by October 2002. In over thirty states, Phoenix-MAXIMUS has assisted clients in making the conversion to electronic commerce. Currently, it is helping the state of New Jersey implement a program to facilitate 24-hour electronic access to a suite of government services using smart card technology. In other states, including Texas and California, Phoenix-MAXIMUS is providing expert assistance to implement EBT for Women, Infant and Children benefits. The Company has become a recognized expert in its field, having delivered lectures at influential card-technology conferences such as CardTech/SecurTech NACHA, having conducted training seminars for entities such as the U.S. Office of Management and Budget, the U.S. Joint Financial

Management Improvement Program, American Banking Association and Food Marketing Institute, and having been a primary consultant to Vice President Gore's Federal EBT Task Force.

SPECTRUM-MAXIMUS. The Company's Spectrum-MAXIMUS Division provides management consulting services that focus on assisting large public sector organizations in solving complex business problems related to automation. Spectrum-MAXIMUS has engagements in all areas of government, including the legislative, executive and judicial branches, and has extensive knowledge of the fiscal structure of states through its experience with state auditors, comptrollers and treasurers as well as a significant understanding of the programmatic areas of state government through close contact with many types of state agencies. The Company provides a variety of information technology services including project planning and management; quality assurance monitoring and assessment for child welfare, and healthcare and financial management systems; strategic planning; and advanced technologies.

CARRERA-MAXIMUS. As a certified PeopleSoft and application software provider ("ASP"), the Carrera-MAXIMUS mission is to deliver cost-efficient, technology-based business solutions to state and local government. Services include information technology strategic planning, custom system development for health and human services systems and enterprise resource planning ("ERP") systems implementation. As a PeopleSoft Global Alliance Partner, Carrera-MAXIMUS is the leading implementor of PeopleSoft for the public sector, providing custom development, imaging and workflow for human resource and financial systems. Carrera-MAXIMUS has successfully implemented over 70 ERP solutions as well as

providing implementation management, conversion and development projects to a client base of state and local government, education, transportation and public utilities clients. Carrera-MAXIMUS offers its clients a highly skilled consulting staff with focused expertise in helping public sector entities implement large-scale information systems. In 1999, the Company focused on expanding its ASP business services, including new solutions for state and local education, property tax and case management.

DMG-MAXIMUS. DMG-MAXIMUS provides a broad array of consulting services to state and local governments. These include financial services (government cost accounting, activity-based costing, user fee, revenue maximization and associated software products), human resources services (executive recruitment and classification and compensation studies), and performance improvement services in the areas of fleet, public rights-of-way, public housing and utilities management. DMG-MAXIMUS provides consulting services to over 3,000 clients each year. Many of them have been DMG-MAXIMUS clients for 20 years or more. This client base includes 27 of the 30 largest counties, 49 of the 50 largest cities, all of the 50 states, 100 colleges and universities, 50 airports and many smaller governmental agencies. Joint marketing and service delivery to this client base with other divisions of MAXIMUS were highly successful during 1999, providing a solid foundation for business growth in the future. A major emphasis for the Company in the coming years is to expand the existing client relationships within DMG-MAXIMUS to other divisions, thereby enabling them to sell their services to this existing client base. In 1999, DMG-MAXIMUS expanded through the Company's acquisitions of the executive recruiting firm of Norman Roberts and Associates and Unison Consulting, which provides financial advisory, retail development and facility design services to international airports.

CSI-MAXIMUS. With its acquisition of Control Software, Inc. in March 1999, the Company became a leading supplier of fleet management software and consulting services. In combination with the DMG-MAXIMUS fleet management consulting practice, CSI-MAXIMUS has expanded its large public sector client base in the United States, Canada, England and Saudi Arabia to include 250 government agencies, public utilities and mass transit agencies. All CSI-MAXIMUS fleet management systems integrate comprehensive functionality specifically designed to control the components of fleet expenses such as maintenance costs (parts and labor), operating costs (fuel, oil and tires) and fixed cost (insurance, depreciation and licenses). In fiscal 2000, the Company plans to expand its share of fleet management services as a leading provider of Internet-based fleet management enterprise applications to the public and private sectors.

BACKLOG

The Company's backlog represents an estimate of the remaining future revenues from existing signed contracts and revenues from contracts that have been awarded but not yet signed. Using the best available information, the Company estimates backlog on a quarterly basis with respect to all executed contracts. The backlog estimate includes revenues expected under the current terms of executed contracts, revenues from contracts in which the scope and duration of the services required are not definite but estimable and does not assume any contract renewals or extensions.

Changes in the backlog calculation from quarter to quarter result from: (i) additions for future revenues from the execution of new contracts or extension or renewal of existing contracts; (ii) reductions from fulfilling contracts during the most recent quarter; (iii) reductions from the early termination of contracts; and (iv) adjustments to estimates of previously included contracts.

At September 30, 1999 and 1998, the Company's backlog for services was approximately $311 million and $276 million, respectively.

MARKETING AND SALES

The Company's Government Operations Group obtains program management contracts from state and local authorities by responding to Requests For Proposals ("RFPS"). Whenever possible, prior to the

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

Following the issuance of an RFP, the Government Operations Group participates in formal discussions, if any, between the contracting government agency and the group of potential service providers seeking to modify the RFP and prepare the proposal. Upon the award of a government operations contract, the Company's representatives then negotiate the contract with representatives of the government authority until an agreement is reached.

The Consulting Group generates leads for consulting contracts by tracking bid notices, employing lobbyists, maintaining relationships with government personnel, communicating directly with current and prospective clients, and increasingly, through referrals and cross-selling initiatives from other divisions of the Consulting Group. The Consulting Group participates in professional associations of government administrators and industry seminars featuring presentations by the Company personnel. Senior executives from the Consulting Group develop leads through on-site presentations to decision-makers. In many cases, consulting contracts, like program management contracts, are obtained after responding to a formal RFP. The Consulting Group's efforts in generating a lead prior to the RFP can facilitate the Company's insight in responding to a particular RFP. A portion of the Consulting Group's new business arises from prior client engagements, in which case the Company may be the sole source of services. The Company also expects to leverage the client relationships of firms it acquires by cross-selling its existing services. Furthermore, clients frequently expand the scope of engagements during delivery to include follow-on complementary activities.

COMPETITION

The market for providing program management and consulting services to state and local health and human services agencies, as well as to public sector clients generally, is competitive and subject to rapid change. The Company's Government Operations Group competes for program management contracts with local non-profit organizations such as the United Way and Goodwill Industries, government services divisions of large companies such as Lockheed Martin Corporation and Electronic Data Systems, Inc., managed care enrollment companies such as Benova, and specialized service providers such as Andersen Consulting, America Works, Inc. and Policy Studies Incorporated. The Company's Consulting Group competes with the consulting divisions of the "Big 5" accounting firms as well as Electronic Data Systems, Inc. and many smaller consulting firms. The Company anticipates that it will face increased competition in the future as new companies enter the market, but that its experience, reputation, industry focus and broad range of services provide significant competitive advantages which the Company expects will enable it to compete effectively in its markets.

GOVERNMENT REGULATION

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

FINANCIAL ASSISTANCE PROGRAMS. Under Welfare Reform legislation, the federal government combined its major welfare and employment initiatives into a single program known as "Temporary Assistance to

Needy Families" or "TANF." Under TANF, the federal government makes "block grants" of funds to the states, to be administered at the state level in programs that include certain mandatory work, education and job-related activities, including job training and job search for the purposes of:

(i) providing needy families with time-limited assistance in order to end their dependency on government benefits and achieve self-sufficiency; (ii) preventing and reducing out-of-wedlock pregnancies, especially teenage pregnancies; and (iii) encouraging the formation and maintenance of two-parent families. While the federal act provides general requirements, states must determine how these requirements will be met.

The Workforce Investment Act of 1998 represents a major reform of the country's job training system. When implemented by all states by July 2000, it will replace the current workforce programs, including the Joint Training Partnerships Act programs. The purpose of this act is to build a workforce delivery system that enables individuals interested in upgrading their skills and advancing their career goals. The Act is designed to create a revitalized workforce system that integrates currently fragmented services and reduces the duplication of efforts by a variety of workforce agencies.

GENERAL ASSISTANCE/GENERAL RELIEF PROGRAMS. There are also General Assistance or General Relief programs that are administered by the states. These welfare programs are not federally reimbursed and generally serve persons not eligible for other federal programs. By their nature, they are very restrictive in terms of eligibility requirements since states must pay 100% of both the benefit and administrative costs. The eligibility requirements for these programs vary by state and sometimes by county within the state. Forty-two states currently have General Assistance programs in operations. Thirty-three of these states operate the program in only a portion of the state.

FOOD STAMP PROGRAM. The Food Stamp Program is a federally funded program that is administered by the states. The purpose of the program is to increase the food purchasing power of eligible low-income households to a point that they can buy a nutritionally adequate, low-cost diet. The program subsidizes food purchases through the issuance of food stamps or through issuance of electronic cards. Food stamp program benefits are entirely paid for by the federal government and food stamp program administrative costs are shared 50/50 with the states, except that states with low error rates may have up to 60% of their administrative costs reimbursed. Eligibility for TANF or SSI also ensures eligibility for food stamps.

SUPPLEMENTAL SOCIAL SECURITY INCOME. Title XVI of the federal Social Security Act provides for the administration and distribution of financial assistance to disabled individuals whose impairments make them unemployable. There has been political pressure on the Social Security Administration (the "SSA") and the states to review the caseload of Title XVI beneficiaries to ensure that each individual's disability still exists and that the extent of such disability remains sufficient to preclude employment. In addition, the SSA has been under pressure to increase and improve vocational rehabilitation efforts focused on returning disabled beneficiaries to work and self-sufficiency.

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

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

electronically with other state systems such as Welfare, driver and vehicle registration and Medicaid systems. The Welfare Reform Act in 1996 changed the federal incentive system, required centralized payment processing centers and modified the distribution rules to provide more funds to families.

MEDICAID, MEDICARE AND THE CHILDREN'S HEALTH INSURANCE PROGRAM. Medicaid and Medicare were implemented under Titles XIX and XVIII of the Social Security Act. Medicaid is a federal-state matching entitlement program that provides reimbursement for the cost of medical care to low-income individuals who are aged, blind, disabled or TANF beneficiaries and to certain pregnant women and children. Within broad federal guidelines, each state designs and administers its own program. Eligibility and claims processing systems are automated by each state to handle this program, which is typically the largest line item in a state budget. Federal assistance is also available on a waiver basis for managed care enrollment for Medicaid recipients and similar populations. Medicare is a federal entitlement program providing reimbursement of a portion of the cost of medical care provided to the elderly. The Children's Health Insurance Program is a recently-enacted $20 billion program to provide health care for children whose family income is near the poverty level.

HUMAN RESOURCES

As of November 30, 1999, the Company had 3,485 employees, consisting of 2,570 employees in the Government Operations Group, 782 employees in the Consulting Group and 133 corporate administrative employees. The Company's success depends in large part on attracting, retaining and motivating talented, innovative and experienced professionals at all levels. In connection with its hiring efforts, the Company employs a full-time human resources coordinator, retains several executive search firms and relies on personal and business contacts to recruit senior level employees for senior management positions in the Government Operations Group and Consulting Group and for senior administrative positions. When the Company's Government Operations Group is awarded a contract by a state or local government, the Company is often under a tight timetable to hire project leaders and case management personnel to meet the needs of the new project. To meet such needs, the Company engages in intensive short-term hiring efforts at the project's location.

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

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

The Company promotes loyalty and continuity of its employees by offering packages of base and incentive compensation and benefits that it believes are significantly more attractive than those offered by governments or other government consulting firms in general. In addition, to attract and retain employees, the Company has established several employee benefit plans, including 401(k) savings and retirement plans, its 1997 Equity Incentive Plan and its 1997 Employee Stock Purchase Plan.

ITEM 2. PROPERTIES

The Company is currently headquartered in McLean, Virginia, in a 21,000 square foot office building which it owns. Due to continued growth, in January, 1999, the Company purchased a 60,000 square foot office building in Reston, Virginia to serve as corporate headquarters, which the Company expects to begin

occupying in early 2000. The Company leases office space for other management and administrative functions in connection with the performance of its contracts in various states and foreign countries. On October 1, 1999, the Company conducted operations from 114 leased office facilities totaling approximately 576,000 square feet. The lease terms vary from month-to-month to five-year leases and are generally at market rates.

ITEM 3. LEGAL PROCEEDINGS

In 1997, the Company was named as a third-party defendant by Network Six, Inc. ("Network Six") in a legal action brought by the State of Hawaii against Network Six. Network Six alleged that the Company was liable to Network Six on various grounds. In October 1999, the Company paid Network Six $50,000 in full settlement of all claims. The settlement was made without admission of fault or liability on the part of the Company.

On November 28, 1997, an individual who is a former officer, director and shareholder of the Company, filed a complaint in the United States District Court for the District of Massachusetts, alleging that at the time he resigned from the Company in 1996, thereby triggering the repurchase of his shares, the Company and certain of its officers and directors had failed to disclose to him material information relating to the potential value of the shares. He further alleges that the Company and its officers and directors violated Sections 10(b) and 20(a) of the Securities and Exchange Act of 1934 and breached various fiduciary duties owed to him and claims damages in excess of $10 million. The Company does not believe that this action has merit and intends to vigorously defend this action. The Company does not believe that this action will have a material adverse effect on its financial condition or results of operation. However, no assurance may be given that the Company will be successful in its defense.

On May 12, 1998, the Company acquired David M. Griffith & Associates, Ltd. ("DMG"), which was subsequently merged into DMG-MAXIMUS, a wholly-owned subsidiary of the Company. DMG-MAXIMUS is currently defending against a lawsuit arising out of consultation services provided to underwriters of revenue bonds issued by Superstition Mountains Community Facilities District No. 1 (the "DISTRICT") in 1994. The bonds were issued to finance construction of a water waste treatment plant in Arizona. However, the District was unable to service the bonds and eventually declared bankruptcy. The District voluntarily came out of bankruptcy and is currently operating under a forbearance agreement with the sole purchaser of the bonds, Allstate Insurance Company ("ALLSTATE"). A consolidated action arising out of these events is pending in the U.S. District Court for the District of Arizona against DMG-MAXIMUS and thirteen other named defendants. The parties making claims against DMG-MAXIMUS in the lawsuit, Allstate and District, allege that DMG made false and misleading representations in the reports DMG prepared included among the exhibits to the bond offering memoranda. DMG's reports concerned certain financial projections made by the District regarding its ability to service the bonds. Allstate seeks as damages $32.1 million, the principal amount of bonds it purchased together with accrued and unpaid interest; the District seeks actual and special damages, prejudgment interest and costs. DMG-MAXIMUS believes these claims are without merit and intends to defend against these actions vigorously. The Company does not believe these actions will have a material adverse effect on its financial condition or results of operations. However, no assurance may be given that DMG-MAXIMUS will be successful in its defense.

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

EXECUTIVE OFFICERS AND OTHER KEY EMPLOYEES OF THE REGISTRANT

The current executive officers of the Company are as follows:

NAME	AGE	POSITION
David V. Mastran	57	President, Chief Executive Officer and Director
Raymond B. Ruddy	56	Chairman of the Board of Directors, Vice President of the Company, and President of Consulting Group
Ilene R. Baylinson	43	President of Federal Services Division
Russell A. Beliveau	52	President of Government Affairs and Investor Relations and Director
John F. Boyer	52	President of Managed Care Enrollment Division
Margaret Carrera	46	President of Carrera-MAXIMUS and Vice-Chairwoman of the Board
David M. Casey	41	President of Information Technology Division
George C. Casey	55	President of Spectrum-MAXIMUS and Director
Louis E. Chappuie	61	President of DMG-MAXIMUS and Director
Lynn P. Davenport	52	President of Human Services Division and Director
David R. Francis	38	General Counsel and Secretary
Gary L. Glickman	46	President of Phoenix-MAXIMUS
Thomas A. Grissen	40	President of Government Operations Group and Director
David A. Hogan	51	President of Child Support Division
John P. Lau, Sr	56	President of International Division
Robert J. Muzzio	65	Executive Vice President and Director
F. Arthur Nerret	52	Vice President, Finance, Chief Financial Officer and Treasurer
James M. Paulits*	48	President of CSI-MAXIMUS
Holly A. Payne	46	President of Welfare Reform Division
Susan D. Pepin	45	President of Systems Planning Division
Robert E. Taggart, Jr	53	Vice President and Chief Operating Officer of DMG-MAXIMUS

* Indicates a key employee who has not been designated by the Company as an officer under Section 16 of Exchange Act.

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

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

ILENE R. BAYLINSON has served as the President of the Company's Federal Services Division (formerly, the Disability Services Division) since 1995 and as Chief Operating Officer from 1991 to 1995. She has

more than 17 years of experience in health and human services program administration. After obtaining her B.A. from John Hopkins University in 1978, Ms. Baylinson worked in a variety of positions for Koba Associates, Inc. of Washington, D.C., including Senior Vice President for Corporate Management, Marketing and Operations from 1989 until her departure and Corporate Vice President/Director, Law and Justice Division from 1985 through 1991.

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

JOHN F. BOYER has served as President of the Company's Managed Care Enrollment Division since October 1998, after serving in various capacities for that division since the fall of 1997. Prior to that, he served as Vice President for Strategic Planning and Contract Administration of the Company since 1995. Dr. Boyer has more than 20 years of experience in health care delivery in both clinical and administrative settings. Prior to joining the Company, Dr. Boyer served as Director of Health Services Financing Policy in The Office of The Assistant Secretary of Defense (Health Affairs) at the Pentagon from 1989 until 1995. Dr. Boyer received his Ph.D. in Public Administration and Public Policy Analysis from The American University in 1989, his M.S. in Management from The Naval Postgraduate School in 1981, his M.S. in Nursing from New York Medical College in 1973 and his B.S. from Illinois State University in 1969.

MARGARET CARRERA has served as President of Carrera-MAXIMUS and Vice-Chairwoman of the Board of Directors since the acquisition of the Carrera Group ("Carrera") by the Company in August 1998. Prior to that time she had served as President of Carrera since its founding in 1991. Ms. Carrera has 20 years of experience in management information systems. Prior to the founding of Carrera, she served as West Region Director of Information Systems consulting for the Public Sector with Ernst & Young LLP and Vice President of Bank Card Processing for Bank of America. She has also held positions at Cambridge Systems Group and Pacific Telephone. Ms. Carrera received her M.B.A. in Finance from San Francisco State University in 1980 and her B.A. in Mathematics and Chemistry from United States International University in 1975.

DAVID M. CASEY has served as the President of the Information Technology Division of the Company since 1997 and has been employed by the Company since 1994. Mr. Casey has 19 years of professional experience in management information systems. Prior to joining the Company, Mr. Casey served as a Government and Education Account Executive for Wang Laboratories, Inc. from 1987 until 1994 and served as a Sales Consultant at Wang Laboratories, Inc. from 1986 to 1987. Mr. Casey has also held positions at Motorola, Inc. and Polaroid Corporation. Mr. Casey holds a B.S. in General Engineering and Computer Science from Northeastern University.

GEORGE C. CASEY has served as President of the Spectrum-MAXIMUS Division since the Company's acquisition of the Spectrum Consulting Group, Inc. ("SPECTRUM") in March 1998. Prior to that, he had served as President of Spectrum since October 1986. Before joining Spectrum in 1986, Mr. Casey worked as a partner for KMG Main Hurdman, an international public accounting firm that subsequently merged with KPMG Peat Marwick. Mr. Casey has extensive experience in project planning and management, procurement and contract negotiations, and quality assurance reviews and realignment. Mr. Casey earned a B.S./B.A. degree from Northwestern University in 1966.

LOUIS E. CHAPPUIE has served as President of DMG-MAXIMUS and a director of the Company since the acquisition of DMG by the Company in May 1998. Prior to that time he served as President and

Chairman of the Board of DMG from 1992 and 1997, respectively. Prior to assuming the presidency of DMG, he was Executive Vice President of DMG's Western Practice Area in Sacramento, California for 12 years. His additional experience includes

Arthur Young & Company and Foreign Service Officer, U.S. State Department. Mr. Chappuie received his B.A. and M.A. from the University of Minnesota in 1960 and 1961, respectively, and has completed course work for a Ph.D. in Economics.

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

DAVID R. FRANCIS has served as General Counsel and Secretary of the Company since August 1998. He has over 13 years experience as a practicing attorney. Before joining the Company he was Of Counsel at the law firm Howrey & Simon and, before that, Senior Counsel at Teledyne, Inc. Mr. Francis received his J.D. from Harvard Law School in 1986 and his B.A. in Philosophy from Johns Hopkins University in 1983.

GARY L. GLICKMAN has served as President of the Phoenix-MAXIMUS Division since the acquisition of Phoenix Planning & Evaluation, Ltd. ("PHOENIX") by the Company in August 1998. Prior to that time he had served as President of Phoenix since its founding in 1990. Mr. Glickman entered consulting in 1980 and has served in a variety of positions advising public and private clients on electronic banking and related technologies. During this time, he was employed with several firms, including Deloitte & Touche and Laventhal & Horwath. Prior to entering consulting, Mr. Glickman held positions in the Office of the Secretary in the U.S. Department of the Treasury and Controller's Office of New York City. Mr. Glickman received his M.B.A. in Economics from New York University in 1978 and his B.A. in American Studies from Brandeis University in 1975.

THOMAS A GRISSEN has served as President of the Government Operations Group since March 1999. Prior to that, he served as the General Manager and Vice President of TRW from January 1998. Mr. Grissen was President of BDM International from April 1997 until joining TRW. Before starting at BDM International, Mr. Grissen was a principal and managing director of Unisys for 16 years. Mr. Grissen received his Executive M.B.A. from Michigan State University and his B.A. in Business form Central Michigan University.

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

JOHN P. LAU, SR. has served as the President of the Company's International Division since 1993 and served as President of the Company's Advanced Systems Division from 1989 until 1993. From 1961 until 1988, Mr. Lau worked in a variety of government and private health care systems organizations in technical, managerial and executive positions. Most recently, Mr. Lau was a Vice President of Modern Psychiatric Systems in Rockville, Maryland in 1988 and 1989 and served from 1968 through 1988 as Consultant to the President of Creative SocioMedics Corporation. Mr. Lau received his M.S. in Physics from Fairleigh Dickinson University in 1968 and his B.S. in Physics from St. Peter's College, Jersey City, New Jersey in 1965.

ROBERT J. MUZZIO has served in various positions with the Company since 1979, including Executive Vice President since 1987, and has more than 30 years of experience as a health care administrator, health systems researcher, and personnel and manpower analyst. Prior to joining the Company, Mr. Muzzio held

many public and private sector positions in the health care industry, including Life Support Coordinator for the Morrison Knudsen Saudi Arabia Consortium in 1978 and 1979 and Director of the Personnel Policies Division of the Office of the Surgeon General, Department of the Army, from 1976 until 1978. Mr. Muzzio received his M.A. in Health Care Administration from Baylor University in 1967 and his B.A. in Public Health from San Jose State College in 1956.

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

JAMES M. PAULITS has served as president of CSI-MAXIMUS since the acquisition of Control Software in February 1999. Mr Paulits has over 15 years experience in the area of software development for fleet management. Prior to founding Control Software, Mr. Paulits was involved in product development for AT&T and Sungard Data Systems. Mr. Paulits received his B.A. in Industrial Management from LaSalle University.

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

SUSAN D. PEPIN has served as the President of the Company's Systems Planning Division since 1994 and has been with the Company since 1988. She has over 18 years of experience in technical management and consulting with a focus on health and human services management information systems. Before joining the Company, Ms. Pepin served as Director of eligibility systems for the Massachusetts Department of Public Welfare from 1984 until 1987 and was a Project Leader for Wang Laboratories, Inc. from 1979 until 1984. Ms. Pepin received her B.S. in Home Economics with a concentration in Consumer Studies and a minor in Business from the University of New Hampshire in 1976.

ROBERT E. TAGGART, JR. has served as Vice-President and Chief Operating Officer of DMG-MAXIMUS since the acquisition of DMG by the Company in May 1998. Prior to that time, he served as the National Director of Fleet Management Consulting for six years and Vice President of DMG for four years. Additionally, he was the director of Fleet Consulting for Ernst & Young LLP. Mr. Taggart has more than 18 years of consulting and fleet management experience. Mr. Taggart received his M.C.R.P. in Urban and Regional Planning from the University of California at Berkeley in 1974 and his B.A. in Economics from Lawrence University in 1968.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SHAREHOLDER MATTERS

The Company's Common Stock commenced trading on June 13, 1997 on the New York Stock Exchange under the symbol "MMS." As of December 17, 1999, there were 172 holders of record of the Company's Common Stock. Prior to June 13, 1997, there was no public market for the Common Stock or any other securities of the Company.

The following table sets forth, for the fiscal periods indicated, the range of high and low closing prices for the Company's Common Stock on the New York Stock Exchange.

<TABLE>
<CAPTION>

	HIGH	LOW
Year Ended September 30, 1997:		
Third Quarter (from June 13, 1997)	$18 6/16	$17
Fourth Quarter	32 14/16	17 14/16
Year Ended September 30, 1998:		
First Quarter	$31 9/16	$22 9/16
Second Quarter	30 14/16	23
Third Quarter	32 9/16	25 2/16
Fourth Quarter	31	20 7/16
Year Ended September 30, 1999:		
First Quarter	$37	$26 8/16
Second Quarter	39 8/16	22
Third Quarter	31 9/16	23
Fourth Quarter	36	23 6/16

</TABLE>

As an S corporation prior to the IPO, the Company made a series of cash distributions to shareholders representing earnings of the Company taxed or taxable to such shareholders. The Company made the final such distribution at the end of fiscal year 1997. Since that time, the Company has retained, and currently anticipates that it will continue to retain, all of its earnings for development of the Company's business and does not anticipate paying any cash dividends in the foreseeable future. Distributions reported during fiscal years 1998 and 1999 were related solely to S corporation distributions by companies MAXIMUS combined with during those years. The distributions were paid to these companies' former shareholders and related to earnings prior to combining with MAXIMUS. Future cash dividends, if any, will be paid at the discretion of the Company's Board of Directors and will depend, among other things, upon the Company's future operations and earnings, capital requirements and surplus, general financial condition, legal and contractual restrictions and such other factors as the Board of Directors may deem relevant.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The selected financial data presented below as of September 30, 1998 and 1999 and for each of the three years in the period ended September 30, 1999 are derived from the Company's Consolidated Financial Statements and related Notes thereto which have been audited by Ernst & Young LLP, independent auditors, except for the financial statements of DMG, a consolidated subsidiary, which through December 31, 1997 were audited by other independent auditors. The selected financial data give retroactive effect to the combination with DMG and Control Software, Inc. ("CSI"), which were accounted for using the pooling of interests method. The selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included as Item 7 and the Consolidated Financial Statements and related Notes included as Item 8 in this Form 10-K. The historical results are not necessarily indicative of the results of operations to be expected in the future.

<TABLE>
<CAPTION>

	YEARS ENDED SEPTEMBER 30,				
STATEMENT OF INCOME DATA:	1995	1996	1997	1998	1999
	(IN THOUSANDS, EXCEPT FOR PER SHARE DATA)				
<S>	<C>	<C>	<C>	<C>	<C>
Revenues	$88,386	$140,492	$173,355	$244,114	$319,540
Cost of revenues	62,128	106,258	127,170	181,403	224,912
Gross profit	26,258	34,234	46,185	62,711	94,628
Selling, general and administrative Expenses	16,201	20,584	26,100	34,909	50,626
Stock option compensation, merger, deferred compensation and ESOP expense(a)	1,400	1,556	7,372	3,671	480
Amortization of goodwill and other acquisition related intangibles	--	--	--	--	260
Income from operations	8,657	12,094	12,713	24,131	43,262
Interest and other income (expense)	(64)	(47)	921	1,823	3,604
Income before income taxes	8,593	12,047	13,634	25,954	46,866
Provision for income taxes(b)	736	530	4,104	10,440	19,240
Net income	$ 7,857	$ 11,517	$ 9,530	$ 15,514	$ 27,626
Earnings per share:					
Basic	$ 0.59	$ 0.87	$ 0.67	$ 0.86	$ 1.35
Diluted	$ 0.59	$ 0.87	$ 0.65	$ 0.85	$ 1.32
Shares used in computing earnings per share:					
Basic	13,207	13,273	14,208	17,937	20,537
Diluted	13,207	13,273	14,593	18,296	20,891

</TABLE>

<TABLE>
<CAPTION>

	AS OF SEPTEMBER 30,				
BALANCE SHEET DATA:	1995	1996	1997	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>
Cash and cash equivalents and short-term investments	$ 2,656	$ 3,397	$ 51,875	$ 32,980	$ 98,882
Working capital	16,680	25,467	66,108	78,478	150,472
Total assets	39,147	50,993	113,884	126,002	223,036
Long-term debt	4,558	331	321	620	578
Redeemable common stock	21,434	31,758	--	--	--
Total shareholders' equity (deficit)	(2,819)	(3,651)	69,041	86,787	175,479

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(a) In January 1997, the Company issued options to various employees to purchase 403,975 shares of common stock at a formula price based on book value. During 1997, the Company recorded a non-recurring charge against income of $5,874,000 for the difference between the IPO price and the formula price for all options outstanding. The Company recorded a deferred tax benefit relating to the charge in the amount of $2,055,000. The option exercise price is a formula price based on the book value of the common stock at

September 30, 1996, and was established pursuant to a pre-existing shareholder agreement.

(b) For the three years ended September 30, 1996, and during fiscal year 1997 up to and including June 12, 1997, the Company elected to be treated as an S corporation and the income of the Company was taxed for federal and most state purposes directly to the Company's shareholders. In connection with its IPO, the Company's S corporation status terminated and the Company recorded a deferred tax charge against income of $2,566,000 for the cumulative differences between the financial reporting and income tax basis of certain assets and liabilities at June 12, 1997. Subsequent to June 12, 1997, the Company has recorded state and federal income taxes based on earnings for those periods. Income taxes provided for periods prior to the IPO related primarily to operations of DMG.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company provides program management and consulting services primarily to government agencies in the United States. Founded in 1975, the Company has been profitable every year since inception. The Company conducts its operations through two groups, the Government Operations Group and the Consulting Group. The Government Operations Group administers and manages government health and human services programs, including disability services, managed care enrollment, welfare-to-work and job readiness and child support enforcement. The Consulting Group provides consulting services to state, county and local government agencies, including health and human services, law enforcement, parks and recreation, taxation, housing, motor vehicles, labor, education and legislatures.

As an important part of the Company's growth strategy, it has completed combinations with the following firms: Spectrum Consulting Group, Inc. and Spectrum Consulting Services, Inc. (collectively, "Spectrum") in March 1998, David M. Griffith & Associates, Ltd. ("DMG") in May 1998, Carrera Consulting Group ("CARRERA") and Phoenix Planning & Evaluation, Ltd. ("PHOENIX") in August 1998, CSI in February 1999, Norman Roberts & Associates, Inc. ("ROBERTS") in March 1999, Unison Consulting Group, Inc. ("UNISON") in June 1999, and Network Design Group, Inc. dba The Center for Health Dispute Resolution ("CHDR") in September 1999. Spectrum, DMG, Carrera, Phoenix, and CSI were accounted for as poolings of interests combinations. Roberts, Unison and CHDR were accounted for as purchases. See "--Business Combinations." Prior year amounts have been restated to reflect the combination with DMG and CSI. The Spectrum, Carrera and Phoenix combinations were accounted for as immaterial poolings of interests, and, accordingly, the Company's previously issued financial statements were not restated to reflect these combinations.

The Company's revenues are generated from contracts with various payment arrangements, including: (i) costs incurred plus a fixed fee ("COST-PLUS"); (ii) fixed-price; (iii) performance-based criteria; and (iv) time and materials reimbursement (utilized primarily by the Consulting Group). For the fiscal year ended September 30, 1999, revenues from these contract types were approximately 25%, 37%, 19% and 19%, respectively, of total revenues. Traditionally, federal government contracts have been cost-plus and a majority of the contracts with state and local government agencies have been fixed-price and performance-based. Fixed price and performance-based contracts generally offer higher margins but typically involve more risk than cost-plus or time and materials reimbursement contracts because the Company is subject to the risk of potential cost overruns or inaccurate revenue estimates.

Effective January 1, 1997, the Social Security Act of 1935 was amended to eliminate Social Security Income and Supplemental Security Disability Insurance benefits based solely on drug and alcohol disabilities. As a result, the Social Security Administration terminated the Company's $350 million contract with the Administration (the "SSA CONTRACT") effective at the end of February 1997. All services provided to the Social Security Administration were completed in the quarter ended March 31, 1997. The SSA Contract contributed $31.6 million to the Company's revenues in fiscal year 1997 and $0 to the Company's revenues in fiscal years 1998 and 1999.

The Government Operations Group's contracts generally contain base periods of one or more years as well as one or more option periods that may cover more than half of the potential contract duration. As of September 30, 1999, the Company's average Government Operations contract duration was 2 3/4 years. The Company's Consulting Group contracts have performance periods of one month to in excess of two years.

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

Selling, general and administrative expenses consist of management, marketing and administration costs including salaries, benefits, travel, recruiting, continuing education and training, facilities costs, printing, reproduction, communications and equipment depreciation.

During 1997, the Company recognized two significant charges against income. The completion of its initial public offering ("IPO") resulted in the termination of the Company's S corporation status. As a result, the Company recorded a non-recurring deferred tax charge of $2.6 million for the cumulative differences between the financial reporting and income tax basis of certain assets and liabilities at June 12, 1997, the day prior to the IPO. In connection with the IPO, on January 31, 1997, certain key employees of the Company surrendered rights to purchase shares of Common Stock of the Company in exchange for options to purchase shares of Common Stock at an exercise price of $1.46 per share. The Company recognized a non-cash compensation charge against income of $5.9 million, the difference between the initial public offering price and the option exercise price for all outstanding options. The option exercise price was based on the adjusted book value of the Common Stock at September 30, 1996, and was established pursuant to pre-existing compensation arrangements with these employees.

BUSINESS COMBINATIONS

As part of its growth strategy, the Company expects to continue to pursue complementary business combinations to expand its geographic reach, expand the breadth and depth of its service offerings and enhance the Company's consultant base. In pursuit of this strategy, the Company combined with four consulting firms during 1998 and one firm during 1999 in transactions accounted for as poolings of interests, and three firms during 1999 accounted for as purchases.

On March 16, 1998, the Company acquired all of the outstanding shares of capital stock of Spectrum in exchange for 840,000 shares of Common Stock. Spectrum, based in Austin, Texas, provides management consulting services that focus on assisting public sector organizations in solving complex business problems related to automation. Spectrum's operations complement and expand the Company's existing information technology and systems planning and integration consulting service offerings. At the time of the combination, Spectrum had approximately 37 consultants and three other employees.

On May 12, 1998, the Company acquired all of the outstanding capital stock of DMG in exchange for 1,166,179 shares of Common Stock. DMG, based in Northbrook, Illinois, provides consulting services to state and local government and other public sector clients throughout the United States. DMG's operations complement the Company's existing management consulting and information technology services and expand the Company's service offerings to include a broad range of financial planning, cost management and various other consulting services aimed at the public sector. At the time of the combination, DMG had approximately 375 consultants and 40 other employees.

On August 31, 1998, the Company acquired all of the outstanding shares of capital stock of Carrera in exchange for 1,137,420 shares of Common Stock. Carrera, based in Sacramento, California, provides consulting services that focus on assisting public sector entities implement large-scale, software-based human resource and financial systems. At the time of the combination, Carrera had 78 consultants and eight other employees.

On August 31, 1998, the Company acquired all of the outstanding shares of capital stock of Phoenix in exchange for 254,545 shares of Common Stock. Phoenix, based in Rockville, Maryland, provides consulting services to public sector entities in planning, implementing and evaluating the utilization of various electronic commerce technologies, such as electronic benefits transfer, electronic funds transfer and

electronic card technologies. At the time of the combination, Phoenix had 11 consultants and three other employees.

On February 26, 1999, the Company acquired all of the outstanding shares of capital stock of CSI in exchange for 700,210 shares of Common Stock. CSI, based in Wayne, Pennsylvania, provides fleet management software and related services to public service entities. At the time of the combination, CSI had 46 employees.

On March 31, 1999, the Company acquired all of the outstanding shares of capital stock of Roberts for $1,930,000. Roberts, based in Los Angeles, California, provides executive search services for the public sector. In connection with the purchase, the Company recorded intangible assets of

$1,880,000. At the time of the combination, Roberts had 18 employees.

On June 1, 1999, the Company acquired all of the outstanding shares of capital stock of Unison for $7,074,000. Unison, based in Chicago, Illinois, provides financial consulting services for government owned airports. In connection with the purchase, the Company recorded intangible assets of $4,979,000. At the time of the combination, Unison had 39 employees.

On September 30, 1999, the Company acquired all of the outstanding shares of capital stock of CHDR for $2,070,000. CHDR, based in Pittsford, New York, is the sole national provider of external reviews for Medicare beneficiaries enrolled in HMOs. In connection with the purchase, the Company recorded intangible assets of $771,000. At the time of the combination, CHDR had 35 employees.

RESULTS OF OPERATIONS

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

<TABLE>
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	YEARS ENDED SEPTEMBER 30,		
	1997	1998	1999
<S>	<C>	<C>	<C>
Revenues:			
Government Operations Group	38.0%	57.0%	55.5%
Consulting Group	43.8	43.0	44.5
SSA Contract	18.2	--	--
Total revenues	100.0	100.0	100.0
Gross profit:			
Government Operations Group	22.3	18.0	19.7
Consulting Group	35.7	35.9	42.0
SSA Contract	13.9	--	--
Total gross profit as percentage of total revenues	26.6	25.7	29.6
Selling general and administrative expenses	15.0	14.3	15.8
Stock option compensation, merger, deferred compensation and ESOP expense	4.2	1.5	0.2
Amortization of goodwill and other acquisition-related intangibles	--	--	0.0
Income from operations	7.4	9.9	13.6
Interest and other income	0.5	0.7	1.1
Income before income taxes	7.9	10.6	14.7
Provision for income taxes	2.4	4.2	6.0
Net income	5.5%	6.4%	8.7%

</TABLE>

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

REVENUES. Total revenues increased 30.9% to $319.5 million in fiscal 1999 from $244.1 million in fiscal 1998. Government Operations Group revenues increased 27.4% to $177.4 million in fiscal 1999 from $139.3 million in fiscal 1998 due to an increase in the number of contracts in the Child Support Enforcement, Managed Care Enrollment and Welfare Reform divisions of the group. Consulting Group revenues increased 35.5% to $142.1 million in fiscal 1999 from $104.9 million in fiscal 1998 due to an increase in the number of contracts, revenues totaling $5.1 million from companies purchased in fiscal 1999 and revenue growth from companies which merged with the Company in fiscal 1998 in transactions accounted for as immaterial poolings of interests. These companies had $13.7 million of pre-merger revenues in fiscal 1998 which were not included in the fiscal 1998 revenue amount reported for the Company.

GROSS PROFIT. Total gross profit increased 50.9% to $94.6 million in fiscal 1999 from $62.7 million in fiscal 1998. Government Operations Group gross profit increased 37.2% to $35.0 million in fiscal 1999 from $25.5 million in fiscal 1998. As a percentage of Government Operations Group revenues, Government Operations Group gross profit increased to 19.7% in fiscal 1999 from 18.0% in fiscal 1998 primarily due to improved gross margins on two of the three Managed Care Enrollment contracts which were purchased in fiscal 1998. See "Year Ended September 30, 1998 Compared to Year Ended September 30, 1997," below. Consulting Group gross profit increased 60.2% to $59.6 million in fiscal 1999 from $37.7 million in fiscal 1998. As a percentage of Consulting Group revenues, Consulting Group gross profit increased to 42.0% in fiscal 1999 from 35.9% in fiscal 1998. The improvement in gross margin for the Consulting Group was due to improved operating efficiencies within most Consulting Group divisions, notably the CSI division, and the impact of a 50% margin realized by Carrera, which constituted 13.4% of fiscal 1999 Consulting Group revenues, compared to only 4.2% of fiscal 1998 Consulting Group revenues.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Total selling, general and administrative expenses ("SG&A") increased 45.0% to $50.6 million in fiscal 1999 from $34.9 million in fiscal 1998. As a percentage of revenues, SG&A increased to 15.8% for fiscal 1999 from 14.3% for fiscal 1998. This increase in costs was due to increases in the number of both professional and administrative personnel and the amount of professional fees necessary to support the Company's growth, marketing and proposal preparation expenditures incurred to pursue further growth. The Company established a Government Affairs and Investor Relations unit at the end of fiscal 1998 and significantly increased the size of its Information Systems unit during fiscal 1999. From September 30, 1998 to September 30, 1999 administrative and systems personnel increased 23.1% from 208 to 256 and the Company grew from 2,870 total employees at September 30, 1998 to 3,285 total employees at September 30, 1999.

STOCK OPTION COMPENSATION, MERGER, DEFERRED COMPENSATION AND ESOP EXPENSES. During fiscal year 1999, the Company incurred $0.5 million of non-recurring expenses in connection with the mergers with CSI, Roberts, Unison and CHDR. These expenses consisted of legal and audit and due diligence expenses. During fiscal year 1998, the Company incurred $3.7 million of non-recurring expenses in connection with the mergers with Spectrum, DMG, Carrera and Phoenix. These expenses consisted of legal, audit, broker, trustee, deferred compensation and other expenses and the acceleration of expenses related to stock appreciation rights for DMG employees totaling $0.9 million.

AMORTIZATION OF GOODWILL AND OTHER ACQUISITION-RELATED INTANGIBLES. The Company incurred $0.3 million of amortization expense related to the $7.6 million of goodwill and other acquisition-related intangible assets it recorded in connection with the acquisitions during fiscal 1999 of Roberts, Unison and CHDR.

PROVISION FOR INCOME TAXES. Income tax expense increased 84.3% to $19.2 million in fiscal 1999 from $10.4 million in fiscal 1998. As a percentage of income before income taxes, the income tax expense increased to 41.0% for fiscal 1999 from 40.2% for fiscal 1998. This increase was due primarily to the effect

of the termination of the S Corporation status of CSI upon the merger with the Company. Additional information regarding income tax expense is in Note 9 to the consolidated financial statements contained in this document.

YEAR ENDED SEPTEMBER 30, 1998 COMPARED TO YEAR ENDED SEPTEMBER 30, 1997

REVENUES. Total revenues increased 40.8% to $244.1 million in fiscal 1998 from $173.4 million in fiscal 1997. Government Operations Group revenues increased 43.0% to $139.3 million in fiscal 1998 from $97.4 million in fiscal 1997 due to an increase in the number of contracts in the Child Support Enforcement, Managed Care Enrollment and Welfare Reform divisions of the group and revenues from three Managed Care Enrollment contracts totaling $18.1 million purchased from another company in February 1998. Excluding the SSA Contract, which had $31.6 million of revenues in fiscal 1997, Government Operations Group revenues increased 111.8% as compared to fiscal 1997. Consulting Group revenues increased 38.0% to $104.9 million in fiscal 1998 from $76.0 million in fiscal 1997 due to an increase in the number of contracts and revenues totaling $16.9 million from companies which merged with the Company in fiscal 1998 in transactions accounted for as immaterial poolings of interests.

GROSS PROFIT. Total gross profit increased 35.8% to $62.7 million in fiscal 1998 from $46.2 million in fiscal 1997. Government Operations Group gross profit increased 31.4% to $25.1 million in fiscal 1998 from $19.1 million in fiscal 1997. As a percentage of Government Operations Group revenues, Government Operations Group gross profit decreased to 18.0% in fiscal 1998 from 22.3% in fiscal 1997 primarily due to anticipated lower gross margins on the three Managed Care Enrollment contracts which were purchased in fiscal 1998. Consulting Group gross profit increased 38.9% to $37.7 million in fiscal 1998 from $27.1 million in fiscal 1997. As a percentage of Consulting Group revenues, Consulting Group gross profit increased slightly to 35.9% in fiscal 1998 from 35.7% in fiscal 1997.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Total selling, general and administrative expenses increased 33.8% to $34.9 million in fiscal 1998 from $26.1 million in fiscal 1997. This increase in costs was due to increases in both professional and administrative personnel and professional fees necessary to support the Company's growth, marketing and proposal preparation expenditures incurred to pursue further growth and the impact of business combinations accounted for as immaterial poolings of interests. From September 30, 1997 to September 30, 1998 administrative and systems personnel increased 34.2% from 155 to 208 and the Company grew from 1,822 total employees to 2,870 total employees. As a percentage of revenues, SG&A decreased to 14.3% for fiscal 1998 from 15.1% for fiscal 1997.

STOCK OPTION COMPENSATION, MERGER, DEFERRED COMPENSATION AND ESOP EXPENSES. During fiscal year 1998, the Company incurred $3.7 million of non-recurring expenses in connection with the mergers with Spectrum, DMG, Carrera and Phoenix. These expenses consisted of legal, audit, broker, trustee, deferred compensation and other expenses and the acceleration of expenses related to stock appreciation rights for DMG employees totaling $0.9 million. During fiscal year 1997, in connection with its IPO, the Company recognized a non-recurring compensation expense of $5.9 million for stock options granted to employees. Also in fiscal 1997, the Company incurred $1.5 million of deferred compensation expenses for DMG employees related to plans which were terminated subsequent to the merger with the Company.

PROVISION FOR INCOME TAXES. Prior to the IPO, the Company and its shareholders elected to be treated as an S corporation under the Internal Revenue Code. Under the provisions of the tax code, the Company's shareholders included their pro rata share of the Company's income in their personal tax returns. Accordingly, the Company was not subject to federal and most state income taxes until June 12, 1997, the day prior to the completion of the IPO. Upon completion of the IPO, the Company's S corporation status was terminated and the Company became subject to federal and state income taxes.

Income tax expense increased 154.4% to $10.4 million in fiscal 1998 from $4.1 million in fiscal 1997. As a percentage of income before income taxes, the income tax expense increased to 40.2% for fiscal 1998

from 30.1% for fiscal 1997. Additional information regarding income tax expense is in Note 9 to the consolidated financial statements contained in this document.

QUARTERLY RESULTS

Set forth below are selected income statement data for the eight quarters ended September 30, 1999. This information is derived from unaudited quarterly financial statements which include, in the opinion of management, all adjustments necessary for a fair presentation of the information for such periods. This information should be read in conjunction with the Consolidated Financial Statements and related Notes thereto included in Item 8 in this Form 10-K. Results of operations for any fiscal quarter are not necessarily indicative of results for any future period.

<TABLE>
<CAPTION>

	QUARTERS ENDED							
	DEC. 31, 1997	MAR. 31, 1998	JUNE 30, 1998	SEPT. 30, 1998	DEC. 31, 1998	MAR. 31, 1999	JUNE 30, 1999	SEPT. 30, 1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues:								
Government Operations Group....................	$27,772	$32,189	$36,844	$42,458	$38,817	$42,544	$47,427	$48,640
Consulting Group...........	22,622	23,770	27,390	31,069	33,529	33,746	36,741	38,096
Total revenues...............	50,394	55,959	64,234	73,527	72,346	76,290	84,168	86,736
Cost of revenues.............	37,647	41,117	48,611	54,028	52,233	52,894	58,467	61,318
Gross profit.................	12,747	14,842	15,623	19,499	20,113	23,396	25,701	25,418
Selling, general and administrative expenses.....	8,426	8,641	7,381	10,461	11,261	12,784	13,844	12,737
Stock option compensation, merger, deferred compensation and ESOP expense....................	467	907	1,972	325	--	118	152	210
Amortization of goodwill and other acquisition-related intangibles................	--	--	--	--	--	--	88	172
Income from operations........	3,854	5,294	6,270	8,713	8,852	10,494	11,617	12,299
Interest and other income.....	537	548	391	347	394	881	965	1,364

Income before income taxes....	4,391	5,842	6,661	9,060	9,246	11,375	12,582	13,663
Provision for income taxes....	1,592	2,237	2,549	4,062	3,653	4,700	5,131	5,756
Net income....................	$ 2,799	$ 3,605	$ 4,112	$ 4,998	5,593	6,675	7,451	7,907
Earnings per share:								
Basic.......................	$ 0.17	$ 0.21	$ 0.24	$ 0.26	$ 0.29	$ 0.32	$ 0.36	$ 0.38
Diluted.....................	$ 0.16	$ 0.20	$ 0.23	$ 0.26	$ 0.28	$ 0.31	$ 0.35	$ 0.37

</TABLE>

The Company's revenues and operating results are subject to significant variation from quarter to quarter depending on a number of factors, including the progress of contracts, revenues earned on contracts, the commencement and completion of contracts during any particular quarter, the schedule of the government agencies for awarding contracts, the term of each contract that the Company has been awarded and general economic conditions. Because a significant portion of the Company's expenses are relatively fixed, successful contract performance and variation in the volume of activity as well as in the number of contracts commenced or completed during any quarter may cause significant variations in operating results from quarter to quarter. Furthermore, the Company has on occasion experienced a pattern in its results of operations pursuant to which it incurs greater operating expenses during the start-up and early stages of significant contracts. No assurances can be given that quarterly results will not fluctuate, causing a material adverse effect on the Company's operating results and financial condition.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary source of liquidity is cash flow from operations. The Company's cash flow provided by (used in) operations was $27.9 million, $(7.2) million and $18.6 million for the years ended September 30, 1999, 1998 and 1997, respectively. The increase in cash flow from operations for the year ended September 30, 1999 as compared to the year ended September 30, 1998 is due to primarily to the increase in net income to $27.6 million for the year ended September 30, 1999 from $15.5 million for the year ended September 30, 1998 and a decrease in the amounts of accounts receivable outstanding, billed and unbilled, to 97 days of sales at September 30, 1999 from 103 days of sales at September 30, 1998. The decrease in cash flow from operations for the year ended September 30, 1998 from the year ended September 30, 1997 is due primarily to an increase in tax payments of $16.2 million and an increase in accounts receivables of $12.2 million.

Cash used in investing activities totaled $45.1 million during the year ended September 30, 1999 as compared to $25.2 million of cash provided by investing activities for the year ended September 30, 1998. The $45.1 million consisted of purchases of marketable securities totaling $23.2 million, $8.0 million for the purchase of a 60,000 square foot office building in Reston, Virginia to serve as corporate headquarters, the purchases of Norman Roberts for $1.9 million, Unison for $7.1 million and CHDR for $2.1 million, and the purchase of property and equipment. The $25.2 million of cash provided by investing activities for the year ended September 30, 1998 consisted primarily of proceeds from the sale of marketable securities totaling $27.8 million.

Cash provided by financing activities totaled $59.3 million during the year ended September 30, 1999 and consisted primarily of $61.0 million of proceeds, net of offering expenses, from the secondary offering completed in December 1998. For the year ended September 30, 1998, cash used in financing activities was $10.1 million, consisting primarily of $5.7 million of S-corporation cash distributions paid to the S-corporation shareholders, based upon the undistributed earnings of the Company taxable to the shareholders through the date of the IPO. Also, consistent with past practices, Spectrum, Phoenix and CSI paid S-corporation cash distributions totaling $2.0 million to former shareholders based upon pre-merger taxable income.

The Company had a $10.0 million revolving credit facility (the "CREDIT FACILITY") with Crestar Bank in Virginia, which was available for borrowing and the issuance of letters of credit. The Credit Facility bore interest at a rate equal to LIBOR plus an amount which ranged from 0.65% to 1.25% depending on the Company's debt to equity ratio. The Credit Facility contained certain restrictive covenants and financial ratio requirements, including a minimum net worth requirement of $60 million. The Company had not used the Credit Facility to finance its working capital needs, and management decided to allow the Credit Facility to expire at March 31, 1999. At September 30, 1999, there are outstanding letters of credit totaling $0.4 million.

Management believes that the Company will have sufficient resources to meet its cash needs over the next 12 months. Such cash needs may include start-up costs associated with new contract awards, obtaining additional office space, establishing new offices, investment in upgraded systems infrastructure and acquisitions of other businesses and technologies. Cash requirements beyond the next 12 months depend on the Company's profitability, its ability to manage working capital requirements, its rate of growth, the amounts ultimately spent on business acquisitions, if any, and the leasing of new office space, if any.

YEAR 2000

The Company is aware of the issues that many computer, telecommunication and other infrastructure systems will face as the millennium ("YEAR 2000") approaches. The Company has audited its internal software and hardware and implemented corrective actions where necessary to address Year 2000 problems. The Company has also reviewed the software and hardware of, and implemented corrective actions where necessary, at its divisions and subsidiaries. Although the assessment and remediation efforts

have been completed, the Company continues to evaluate Year 2000 contingency plans in the event a service not in the control of the Company experiences processing problems or failures. The cost of these efforts has not been material, and the Company does not anticipate that future costs will be material or will have a material impact on its operations or financial results. However, there can be no assurance that the corrective actions or contingency plans will eliminate all Year 2000 risk or that a Year 2000 problem will not have a material adverse effect on the Company.

The Company also provides assistance in assessing, evaluating, testing and certifying government client systems affected by Year 2000 problems, as well as quality assurance monitoring of Year 2000 compliance conversions performed for clients by third parties. Although the Company has attempted to contract to provide such services in a manner that will minimize its liability for system failures, there can be no assurance that the Company would not become subject to legal proceedings which, if resolved in a manner adverse to the Company, could have a material adverse effect on its financial condition.

The Company relies to varying extents on information processing performed by the governmental agencies and entities with which it contracts. The Company has inquired where necessary of such agencies and entities of potential Year 2000 problems, and, based on responses to such inquiries, management believes that the Company would be able to continue to perform on such contracts without material negative financial impact. However, the Company cannot be certain that Year 2000 related systems failures in the information systems of clients will not occur and, if such failures occur, that they will not interfere with the Company's ability to properly manage a contracted project and result in a material adverse effect on the Company's business, financial condition and results of operations.

Although the Company believes that it has addressed all material Year 2000 problems, there are a number of risks associated with Year 2000, only some of which are within the control of the Company. Those risks include unforeseen difficulties in identifying and correcting Year 2000 problems, an incomplete audit of internal hardware and software, and the failure of one or more government clients to adequately address the Year 2000 problem. The Company's Year 2000 efforts have been meant to help manage and mitigate these risks. The Company continues to evaluate and intends to adopt contingency plans, if deemed necessary, to address any issues that may be identified internally and as it assesses the state of readiness of its key government clients. As no specific instance of material Year 2000 non-compliance has been discovered to date, the Company has not yet adopted any specific contingency plans to deal with Year 2000 problems.

FORWARD LOOKING STATEMENTS

Statements that are not historical facts, including statements about the Company's confidence and strategies and the Company's expectations regarding its ability to obtain future contracts, expand its market opportunities or attract highly-skilled employees, are forward looking statements that involve risks and uncertainties. These risks and uncertainties include legislative changes and political developments adverse to the privatization of the provision of government services; risks related to possible acquisitions; opposition from government employee unions; reliance on key executives; impact of competition from similar companies; and legal, economic and other risks detailed in Exhibit 99.1 to this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company believes that its exposure to market risk related to the effect of changes in interest rates, foreign currency exchange rates, commodity prices and equity prices on instruments entered into for trading and other purposes is immaterial.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following financial statements and supplementary data are included as part of this Annual Report on Form 10-K:

Report of Ernst & Young LLP, Independent Auditors

Report of Grant Thornton LLP, Independent Auditors

Consolidated Balance Sheets as of September 30, 1998 and 1999

Consolidated Statements of Income for the years ended September 30, 1997, 1998 and 1999

Consolidated Statements of Changes in Redeemable Common Stock and Shareholders' Equity for the years ended September 30, 1997, 1998 and 1999

Consolidated Statements of Cash Flows for the years ended September 30, 1997, 1998 and 1999

Notes to Consolidated Financial Statements

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

To the Board of Directors
MAXIMUS, Inc.

We have audited the accompanying balance sheets of MAXIMUS, Inc. as of September 30, 1998 and 1999, and the related statements of income, changes in redeemable common stock and shareholders' equity, and cash flows for each of the three years in the period ended September 30, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of David M. Griffith & Associates, Ltd., a wholly-owned subsidiary, which statements reflect total revenues of $39.4 million for the year ended December 31, 1997. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to data included for David M. Griffith & Associates, Ltd. is based solely on the report of the other auditors.

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

In our opinion, based on our audits and, for 1997, the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MAXIMUS, Inc. at September 30, 1998 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 1999, in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

Washington, D.C.
November 13, 1999

REPORT OF GRANT THORNTON LLP, INDEPENDENT AUDITORS

Board of Directors
David M. Griffith & Associates, Ltd.

We have audited the statements of earnings, stockholders' equity, and cash flows of David M. Griffith & Associates, Ltd. for the year ended December 31, 1997 (not presented herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of David M. Griffith & Associates, Ltd. for the year ended December 31, 1997 in conformity with generally accepted accounting principles.

/s/ GRANT THORNTON LLP

Chicago, Illinois
March 18, 1998, except for Note L
which is as of March 23, 1998

MAXIMUS, INC.

CONSOLIDATED BALANCE SHEETS

(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	AS OF SEPTEMBER 30, 1998	AS OF SEPTEMBER 30, 1999
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 19,403	$ 61,647
Marketable securities	13,577	37,235
Accounts receivable, net	76,981	75,865
Costs and estimated earnings in excess of billings (Note 5)	5,924	16,150
Prepaid expenses and other current assets	1,188	2,711
Deferred income taxes	--	2,997
Total current assets	117,073	196,605
Property and equipment at cost:		
Land	662	2,643
Buildings and improvements	1,721	7,921
Office furniture and equipment	7,703	10,429
Leasehold improvements	214	253
	10,300	21,246
Less: Accumulated depreciation and amortization	(5,433)	(6,524)
Total property and equipment, net	4,867	14,722
Deferred income taxes (Note 9)	1,434	363
Intangible assets	--	8,254
Other assets	2,628	3,092
Total assets	$126,002	$223,036
LIABILITIES AND SHAREHOLERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 10,006	$ 10,265
Accrued compensation and benefits	15,877	16,119
Billings in excess of costs and estimated earnings (Note 5)	11,608	16,942
Notes payable	200	--
Income taxes payable	3	2,266
Other current liabilities	--	541
Deferred income taxes	901	--
Total current liabilities	38,595	46,133
Long-term debt (less current portion)	620	578
Other liabilities		846
Total liabilities	39,215	47,557
Commitments and contingencies (Notes 7 and 11)		
Shareholders' equity (Note 10):		
Common stock, no par value; 30,000,000 shares authorized; 18,925,602 and 20,986,322 shares issued and outstanding at September 30, 1998 and 1999, at stated amount	68,623	130,518
Accumulated other comprehensive income	--	(280)
Retained earnings	18,164	45,241
Total shareholders' equity	86,787	175,479
Total liabilities and shareholders' equity	$126,002	$223,036

</TABLE>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

MAXIMUS, INC.

CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEAR ENDED SEPTEMBER 30, 1997	1998	1999
Revenues	$173,355	$244,114	$319,540
Cost of revenues	127,170	181,403	224,912
Gross profit	46,185	62,711	94,628
Selling, general and administrative expenses	26,100	34,909	50,626
Stock option compensation, merger, deferred compensation and ESOP expense	7,372	3,671	480
Amortization of goodwill and other acquisition-related intangibles	--	--	260
Income from operations	12,713	24,131	43,262
Interest and other income	921	1,823	3,604
Income before income taxes	13,634	25,954	46,866
Provision for income taxes	4,104	10,440	19,240
Net income	$ 9,530	$ 15,514	$ 27,626
Earnings per share:			
Basic	$ 0.67	$ 0.86	$ 1.35
Diluted	$ 0.65	$ 0.85	$ 1.32
Weighted average shares outstanding:			
Basic	14,208	17,937	20,537
Diluted	14,593	18,296	20,891

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

MAXIMUS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN REDEEMABLE COMMON STOCK AND SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED SEPTEMBER 30, 1997, 1998 AND 1999

(DOLLARS IN THOUSANDS)

	REDEEMABLE COMMON STOCK	SHAREHOLDERS' EQUITY: ACCUMULATED OTHER COMPREHENSIVE INCOME	COMMON STOCK	RETAINED EARNINGS
Balance at September 30, 1996	$ 31,758	$ --	$ --	$ (3,651)
Purchase of redeemable common stock from employee	(1,422)	--	--	--
Issuance of common stock to employees	--	--	778	--
Compensation charge for stock options	--	--	5,874	--
Net income	--	--	--	9,530
Adjustment to redemption value of redeemable common stock	25	--	--	(25)
Adjustment to retained earnings upon initial public offering	--	--	(9,083)	9,083
Reclass of redeemable common stock upon initial public offering	(30,361)	--	15,410	14,951
Net proceeds from sale of common stock in initial public offering	--	--	53,804	--
S Corporation distributions	--	--	--	(27,630)
Balance at September 30, 1997	--	--	66,783	2,258
Purchase of common stock from employee	--	--	(454)	--

Net income	--	--	--	15,514
Tax benefit due to option exercise	--	--	--	173
Adjustment for DMG results previously reported	--	--	--	156
Increase resulting from immaterial poolings	--	--	137	3,843
Issuance of common stock to employees	--	--	144	--
Issuance of common stock in exchange for debt	--	--	150	--
Reclassification of CSI accumulated earnings	--	--	1,863	(1,863)
S Corporation distributions	--	--	--	(1,917)
Balance at September 30, 1998	--	--	68,623	18,164
Issuance of common stock to employees	--	--	871	--
Net income	--	--	--	27,626
Tax benefit due to option exercise	--	--	--	321
Adjustment for CSI results previously reported	--	--	--	(114)
Net proceeds from sale of common stock in secondary offering	--	--	61,024	--
Unrealized losses on marketable securities	--	(280)	--	--
S Corporation distributions	--	--	--	(756)
Balance at September 30, 1999	$ --	$(280)	$130,518	$ 45,241

</TABLE>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

MAXIMUS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	YEAR ENDED SEPTEMBER 30,		
	1997	1998	1999
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 9,530	$ 15,514	$ 27,626
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	1,124	1,078	1,567
Amortization	--	1,401	1,117
Stock option compensation expense	5,874	--	--
Deferred income taxes	(319)	(2,475)	(2,807)
Other	(157)	173	131
Changes in assets and liabilities:			
Accounts receivable, net	(10,701)	(22,922)	(2,065)
Costs and estimated earnings in excess of billings	(2,656)	(326)	(5,504)
Prepaid expenses and other current assets	(794)	373	(460)
Other assets	(241)	(43)	1,062
Accounts payable	2,835	4,845	(535)
Accrued compensation and benefits	3,497	338	528
Billings in excess of costs and estimated earnings	6,725	(1,309)	5,201
Income taxes payable	3,914	(3,877)	2,073
Net cash provided by (used in) operating activities	18,631	(7,230)	27,934
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of real estate	--	--	(8,000)
Acquisition of business assets	--	--	(11,243)
Purchase of contracts	--	(2,436)	--
Increase in cash resulting from immaterial poolings	--	1,002	--
Purchase of property and equipment	(1,301)	(1,160)	(2,589)
(Purchase) sale of marketable securities	(39,857)	27,822	(23,229)
Net cash (used in) provided by investing activities	(41,158)	25,228	(45,061)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from stock offering, net of expenses	53,804	--	61,024
S Corporation distributions	(21,882)	(7,665)	(756)
Redeemable common stock purchased	(1,234)	--	--
Common stock issued	4	144	871
Net proceeds from (payments on) borrowings	452	(2,547)	(1,799)
Net cash (used in) provided by financing activities	31,144	(10,068)	59,340
Cash flow adjustment for change in accounting period of DMG and CSI	--	467	31

Net increase in cash and cash equivalents	8,617	8,397	42,244
Cash and cash equivalents, beginning of year	2,389	11,006	19,403
Cash and cash equivalents, end of year	$ 11,006	$ 19,403	$ 61,647

</TABLE>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

FOR THE YEARS ENDED SEPTEMBER 30, 1997, 1998 AND 1999
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

1. DESCRIPTION OF BUSINESS

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

The Company operates predominantly in the United States. Revenues from foreign-based projects were less than 10% of total revenues for the years ended September 30, 1997, 1998 and 1999.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

PRINCIPLES OF CONSOLIDATION

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

USE OF ESTIMATES

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

RESTATEMENT OF PRIOR YEARS' FINANCIAL STATEMENTS

The Company's financial statements have been restated to reflect the combination with David M. Griffith, Ltd. ("DMG") in May 1998 and Control Software, Inc. ("Control Software") in February 1999 in transactions accounted for using the pooling of interests method of accounting. See Note 3.

CASH EQUIVALENTS

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

REVENUE RECOGNITION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

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

MARKETABLE SECURITIES

Marketable securities are classified as available-for-sale and are recorded at fair market value with unrealized gains and losses, net of taxes, reported as a separate component of shareholders' equity. Realized gains and losses and declines in market value judged to be other than temporary are included in investment income. Interest and dividends are included in investment income. For the year ended September 30, 1999, unrealized losses on marketable securities were $280. There were no material unrealized gains or losses on marketable securities at September 30, 1998 and 1997. Marketable securities consist primarily of short-term municipal and commercial bonds.

PROPERTY AND EQUIPMENT

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

INCOME TAXES

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

Prior to its initial public offering, the Company and its shareholders elected to be treated as an S corporation under the Internal Revenue Code. Under the provisions of the tax code, the Company's shareholders included their pro rata share of the Company's income in their personal income tax returns. Accordingly, the Company was not subject to federal and most state income taxes during the periods prior to the initial public offering. The completion of the Company's initial public offering during June 1997 resulted in the termination of the Company's S corporation status for income tax purposes. In connection therewith, the Company recorded a deferred tax charge against income of $2,566 for the cumulative differences between the financial reporting and income tax basis of certain assets and liabilities at June 12, 1997.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company considers the recorded value of its financial assets and liabilities, which consist primarily of cash and cash equivalents, marketable securities, accounts receivable and accounts payable, to approximate the fair value of the respective assets and liabilities at September 30, 1998 and 1999.

3. BUSINESS COMBINATIONS

On March 16, 1998, the Company issued 840,000 shares of its common stock in exchange for all of the common stock of Spectrum Consulting Group, Inc. and an affiliated company ("Spectrum"). This merger was accounted for as an immaterial pooling of interests and accordingly, the Company's financial statements, including earnings per share, were not restated for periods prior to January 1, 1998.

On May 12, 1998, the Company issued 1,166,179 shares of its common stock in exchange for all of the outstanding common stock of DMG. This merger was accounted for as a pooling of interests and accordingly, the Company's financial statements, including earnings per share, have been restated for all periods presented to include the financial position and results of operations of DMG. DMG's operations for the year ended December 31, 1997 were combined with the Company's operations for the fiscal year ended September 30, 1997. This resulted in inclusion of DMG operating results for the three months ended December 31, 1997 in the Company's operating results for both fiscal 1997 and 1998. DMG's revenues and net income for the three months ended December 31, 1997 were $11,450 and $(156), respectively.

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

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

On February 26, 1999, the Company issued 700,210 shares of its common stock in exchange for all of the outstanding common stock of Control Software. This merger was accounted for as a pooling of interests and accordingly, the Company's financial statements, including earnings per share, have been restated for all periods presented to include the financial position and results of operations of Control Software. Control Software's operations for the years ended December 31, 1997 and 1998 were combined with the Company's operations for the fiscal years ended September 30, 1997 and 1998. This resulted in inclusion of Control Software's operating results for the three months ended December 31, 1998 in the Company's operating results for both fiscal 1998 and 1999. Control Software's revenues and net income for the three months ended December 31, 1998 were $2,170 and $114, respectively.

3. BUSINESS COMBINATIONS (CONTINUED)

A reconciliation of the Company's revenues and net income, as previously reported, to the restated results that give effect to the DMG and Control Software combinations for the fiscal years ended September 30, 1997 and 1998 follow:

<TABLE>
<CAPTION>

	YEAR ENDED SEPTEMBER 30,	
	1997	1998
<S>	<C>	<C>
Revenues as previously reported	$127,947	$233,473
DMG revenues	39,377	--
Control Software revenues	6,031	10,641
Combined revenues	$173,355	$244,114
Net income as previously reported	$ 8,589	$ 14,454
DMG net income	745	--
Control Software net income	196	1,060
Combined net income	$ 9,530	$ 15,514

</TABLE>

On March 31, 1999, the Company acquired Norman Roberts & Associates, Inc. for $1,930. In conjunction with the purchase, the Company recorded intangible assets of $1,880.

On June 1, 1999, the Company acquired Unison Consulting Group, Inc. for $7,074. In conjunction with the purchase, the Company recorded intangible assets of $4,979.

On September 30, 1999, the Company acquired Network Design Group, Inc. d/b/a The Center for Health Dispute Resolution ("CHDR") for $2,070. In conjunction with the purchase, the Company recorded intangible assets of $771. The purchase price is subject to an upward adjustment of $1,200 if CHDR secures the renewal of a certain contract.

Intangible assets are amortized using the straight-line method over periods ranging from two to fifteen years. The accumulated amortization related to intangible assets at September 30, 1998 and 1999 was $0 and $260.

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

<TABLE>
<CAPTION>

	YEAR ENDED SEPTEMBER 30,	
	1998	1999
Revenue	$256,005	$329,216
Net income	16,191	28,405
Earnings per share (diluted)	$ 0.88	$ 1.36

</TABLE>

All of the companies involved in the business combinations described above are involved primarily in consulting services for state and local governments. Control Software also derives revenue from the licensing of software. The merged companies accounted for as immaterial poolings contributed $16,854 to the Company's revenues for the year ended September 30, 1998.

4. EARNINGS PER SHARE

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

<TABLE>
<CAPTION>

	YEAR ENDED SEPTEMBER 30,		
	1997	1998	1999
Numerator:			
Net income	$ 9,530	$15,514	$27,626
Denominator:			
Weighted average shares outstanding	14,208	17,937	20,537
Effect of dilutive securities:			
Employee stock options	385	359	354
Denominator for dilutive earnings per share	14,593	18,296	20,891

</TABLE>

5. COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

Uncompleted contracts consist of the following components:

<TABLE>
<CAPTION>

	BALANCE SHEET CAPTION	
	COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS	BILLINGS IN EXCESS OF COSTS AND ESTIMATED EARNINGS
September 30, 1998:		
Costs and estimated earnings	$193,022	$192,219
Billings	187,098	203,827
	$ 5,924	$ 11,608
September 30, 1999:		
Costs and estimated earnings	$255,572	$326,729
Billings	239,422	343,671
	$ 16,150	$ 16,942

</TABLE>

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

6. CREDIT FACILITIES

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

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

7. LEASES

The Company leases office space under various operating leases, the majority of which contain clauses permitting cancellation upon certain conditions. The terms of these leases provide for certain minimum

7. LEASES (CONTINUED)

payments as well as increases in lease payments based upon the operating cost of the facility and the consumer price index. Rent expense for the years ended September 30, 1997, 1998, and 1999 was $5,412, $7,074 and $11,084, respectively.

Minimum future payments under these leases are as follows:

<TABLE>

<S>	<C>
Years ended September 30,	
2000	$10,225
2001	6,861
2002	5,283
2003	3,119
2004	1,648
Thereafter	66
	$27,202

</TABLE>

8. EMPLOYEE BENEFIT PLANS AND DEFERRED COMPENSATION

The Company has 401(k) plans and other defined contribution plans for the benefit of all employees who meet certain eligibility requirements. The plans provide for Company match, specified Company contributions, and/or discretionary Company contributions. During the years ended September 30, 1997, 1998 and 1999, the Company contributed $806, $1,387 and $2,923 to the plans, respectively.

Prior to its merger with the Company, DMG had an employee stock ownership plan covering substantially all of its employees. During 1997 and 1998, amounts charged to operations for the plan were $897 and $394, respectively.

Prior to its merger with the Company, DMG had deferred compensation arrangements with certain officers and employees and had granted stock appreciation rights to certain current and retired officers and employees. The stock appreciation rights provided for full vesting and current settlement at the time of the merger. During 1997 and 1998, amounts charged to operations under these arrangements were $216 and $972, including a one-time income statement charge of $942 in 1998 as a result of the merger.

9. INCOME TAXES

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

<TABLE>
<CAPTION>

	YEAR ENDED SEPTEMBER 30,		
	1997	1998	1999
<S>	<C>	<C>	<C>
Current provision:			
Federal	$3,722	$10,676	$18,740
State	701	1,894	3,307
Deferred tax expense (benefit)	(319)	(2,130)	(2,807)
	$4,104	$10,440	$19,240

</TABLE>

9. INCOME TAXES (CONTINUED)

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

<TABLE>

<CAPTION>

	YEAR ENDED SEPTEMBER 30,		
	1997	1998	1999
Expected federal income tax provision	$ 4,640	$ 9,074	$16,043
Effect of income taxed directly to S Corporation shareholders	(3,964)	(658)	(480)
State income taxes	607	1,245	2,343
Effect of termination of S Corporation status	2,566	325	1,109
Effect of nondeductible merger costs	--	531	82
Other	255	(77)	143
	$ 4,104	$10,440	$19,240

</TABLE>

The significant items comprising the Company's deferred tax assets and liabilities as of September 30, 1998 and 1999 are as follows:

<TABLE>
<CAPTION>

	AS OF SEPTEMBER 30,	
	1998	1999
Deferred tax assets--current:		
Liabilities for costs deductible in future periods	$ 810	$ 1,779
Billings in excess of costs and estimated earnings	4,126	5,844
Total deferred tax assets--current:	4,936	7,623
Deferred tax liabilities--current:		
Cash versus accrual accounting	2,915	1,247
Costs and estimated earnings in excess of billings	2,512	3,076
Other	410	303
Total deferred tax liabilities--current	5,837	4,626
Net deferred tax (liability) asset--current	$ (901)	$ 2,997
Deferred tax assets (liabilities)--non-current:		
Stock option compensation	1,874	1,905
Cash versus accrual accounting	(795)	(1,733)
Other	355	191
Net deferred tax asset--non-current	$1,434	$ 363

</TABLE>

Cash paid for income taxes during the years ended September 30, 1997, 1998, and 1999 was $274, $16,507 and $20,002, respectively.

10. SHAREHOLDERS' EQUITY

INITIAL PUBLIC OFFERING

The Company completed an initial public offering (the "IPO") of common stock during June 1997. Of the 6,037,500 shares of common stock sold in the IPO, 2,360,000 shares were sold by selling shareholders and 3,677,500 were sold by the Company, generating $53,804 in proceeds to the Company, net of offering expenses.

SECONDARY PUBLIC OFFERING

The Company completed a second public offering (the "second offering") of common stock during December 1998. Of the 4,200,000 shares of common stock sold in the second offering, 2,200,000 shares were sold by selling shareholders and 2,000,000 shares were sold by the Company, generating $61,024 in proceeds to the Company, net of offering expenses.

10. SHAREHOLDERS' EQUITY (CONTINUED)

S CORPORATION DISTRIBUTIONS

During fiscal year 1997, the Company made cash distributions to its S corporation shareholders prior to the IPO totaling $1,212. In connection with the IPO, the Company made an additional distribution of $20,500 to its S corporation shareholders and accrued an additional distribution at September 30, 1997 in the amount of $5,748, such aggregate amount representing the undistributed earnings of the Company taxed or taxable to shareholders through the date of the IPO.

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

REDEEMABLE COMMON STOCK

Prior to the IPO, a shareholders' agreement obligated the Company to purchase all shares offered for sale by the Company's shareholders at a formula price based on the book value of the Company. In addition, shareholders were obligated to sell and the Company was obligated to purchase at the formula price all of the shares owned by the shareholders upon the shareholder's death, disability or termination of employment. DMG had agreements with certain of its shareholders to repurchase its shares under certain circumstances at fair value. The Company's obligation to purchase common shares from shareholders terminated upon completion of the IPO. Accordingly, amounts classified previously as redeemable common stock, including amounts related to DMG, were reclassified into shareholder's equity.

EMPLOYEE STOCK PURCHASE PLAN

During fiscal 1998, the Company implemented a plan which permits employees to purchase shares of the Company's common stock each quarter at 85% of the market value on the last day of the quarter. The initial sale of shares under the plan occurred during fiscal 1998.

STOCK OPTION PLANS

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

The vesting period and share price for awards are determined by the Company's Board of Directors at the date of grant. Options granted during 1997 include those which were fully vested on issuance and others which vest over periods from two to four years. The Company's Board of Directors has reserved 3.1 million shares of common stock for issuance under the Company's stock option plans. At September 30, 1999, 1.3 million shares remained available for grants under the Company's option plans.

In January 1997, the Company issued options to various employees to purchase 403,975 shares of the Company's common stock at a formula price based on book value. During 1997, the Company recorded a non-recurring charge against income of $5,874 for the difference between the IPO price and the formula price for all options outstanding. The Company recorded a deferred tax benefit relating to the charge in the amount of $2,055.

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard (SFAS) No. 123, "Accounting and Disclosure for Stock-Based Compensation," which provides for

10. SHAREHOLDERS' EQUITY (CONTINUED)

STOCK OPTION PLANS (CONTINUED)

a fair value based methodology of accounting for all stock option plans. Under SFAS 123, companies may account for stock options under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related Interpretations and provide pro forma disclosure of net income, as if the fair value based method of accounting defined in SFAS 123 had been applied. The Company has elected to follow APB 25 and related interpretations in accounting for its employee stock options and provide pro forma fair value disclosure under SFAS 123.

Pro forma information regarding net income has been determined as if the Company had accounted for its stock options under the fair value method of SFAS 123. The fair value for these options was estimated at the date of grant using a minimal valuation method in 1997 and the Black-Scholes method in 1998 and 1999 with the following assumptions: volatility 42% for 1998 and 56% for 1999; risk free interest rate of 6.5% for 1997, 5.5% for 1998 and 6.5% for 1999;

dividend yield 0%; and an expected life of the option of 4 years. The grant-date fair value of options granted was $3.58 for 1997, $9.61 for 1998 and $14.45 for 1999.

For purposes of the pro forma disclosure, the estimated fair value of the options is amortized to reflect such expense over the options' vesting period. The effects of applying FAS 123 for providing proforma disclosures are not likely to be representative of the effects on reported net income for future years. For the years ended September 30, 1997, 1998 and 1999 pro forma net income and pro forma net income per share resulting from the adjustment for stock option compensation was as follows:

	YEAR ENDED SEPTEMBER 30,		
	1997	1998	1999
Net income	$9,530	$15,514	$27,626
FAS 123 compensation expense	(972)	(780)	(1,958)
Net income, as adjusted	$8,558	$14,734	$25,668
Net income per share, as adjusted:			
Basic	$ 0.60	$ 0.82	$ 1.25
Diluted	$ 0.59	$ 0.81	$ 1.23

10. SHAREHOLDERS' EQUITY (CONTINUED)

A summary of the Company's stock option activity for the years ended September 30, 1997, 1998 and 1999 is as follows:

	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
Activity during fiscal 1997:		
Granted	531,975	$ 5.05
Exercised	(3,025)	1.46
Outstanding at September 30, 1997	528,950	5.07
Activity during fiscal 1998:		
Granted	626,989	24.06
Exercised	(36,300)	3.46
Canceled due to termination	(25,887)	25.05
Outstanding at September 30, 1998	1,093,752	15.33
Activity during fiscal 1999:		
Granted	879,423	29.05
Exercised	(44,127)	10.26
Canceled due to termination	(110,807)	23.22
Outstanding at September 30, 1999	1,818,241	21.79

The ranges of exercise prices for outstanding options were as follows at September 30, 1999:

$ 0.01--$ 1.46	356,350
$12.31--$16.00	175,723
$23.38--$35.19	1,286,168
	1,818,241

The Company had approximately 691,251 options exercisable at September 30, 1999 at a weighted average exercise price of $12.61 per share. Outstanding options have a weighted average remaining exercise period of 8.6 years at September 30, 1999.

11. COMMITMENTS AND CONTINGENCIES

LITIGATION

On February 3, 1997, the Company was named as a third-party defendant by Network Six, Inc. ("Network Six") in a legal action brought by the State of Hawaii against Network Six. Network Six alleged that the Company was liable to Network Six on various grounds. In October 1999, the Company paid Network Six $50 in full settlement of all claims. The settlement was made without admission of fault or liability on the part of the Company.

On November 28, 1997, an individual who is a former officer, director and shareholder of the Company, filed a complaint in the United States District Court for the District of Massachusetts, alleging that at the time he resigned from the Company in 1996, thereby triggering the repurchase of his shares, the

Company and certain of its officers and directors had failed to disclose material information to him relating to the potential value of the shares. He further alleges that the Company and its officers and directors violated Sections 10(b) and 20(a) of the Securities and Exchange Act of 1934 and breached various fiduciary duties owed to him and claims damages in excess of $10,000. The Company believes these claims are without merit and intends to defend the matter vigorously. Although there is no assurance of a favorable outcome, the Company does not believe that this action will have a material adverse effect on the Company's financial condition or results of operations, and has not accrued for any loss related to this action.

In January 1997, a lawsuit was filed against a number of defendants, including DMG, by a purchaser of municipal bonds. DMG had prepared two reports rendering an opinion on the anticipated debt service coverage of the revenue bonds for the first five years of operation of a sewer project by Superstition Mountain Community Facilities District No. 1 (the "District"). The District was unable to meet its debt service obligations and filed bankruptcy. The purchaser of the revenue bonds, Allstate Insurance Company, has sued a number of defendants, including DMG, for damages of $32,100 which is the face value of the revenue bonds, plus interest. The District has also filed a lawsuit against DMG seeking damages, which suit has been consolidated with the purchaser's actions. DMG-MAXIMUS believes these claims are without merit and intends to defend against these claims vigorously. Although there is no assurance of a favorable outcome, the Company does not believe that this action will have a material adverse effect on the Company's financial condition or results of operations and has not accrued for any loss related to these claims.

The Company also is involved in various other legal proceedings in the ordinary course of its business. In the opinion of management, these proceedings involve amounts that would not have a material effect on the financial position or results of operations of the Company if such proceedings were disposed of unfavorably.

DCAA AUDITS

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

EMPLOYMENT AGREEMENTS

The Company has employment agreements with 25 of its executives and other employees that provide for aggregate base salaries of approximately $5.8 million per year. The terms of the employment obligations end between 2000 and 2003.

12. CONCENTRATIONS OF CREDIT RISK AND MAJOR CUSTOMERS

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

12. CONCENTRATIONS OF CREDIT RISK AND MAJOR CUSTOMERS (CONTINUED)

At September 30, 1998, $1,004 of the Company's accounts receivable were due from the United States Government. Revenues under contracts with various agencies of the United States Government were $35,802 and $3,738 for the years ended September 30, 1997 and 1998, respectively. Of these amounts, $31,611 and $0 for the years ended September 30, 1997 and 1998, respectively, were revenues of the Government Operations segment. A minimal amount of the Company's accounts receivable were due from the United States Government at September 30, 1999 and a minimal amount of revenue was derived from the United States Government during the year ended September 30, 1999.

As a result of legislation that eliminated certain Social Security Administration program benefits, a contract with the United States Government that contributed substantially all of the revenues of the government operations segment for 1997 was terminated by the United States Government. This contract concluded during the second quarter of 1997.

At September 30, 1998 and 1999, $9,706 and $12,640 of the Company's accounts receivable were due from one state government. Revenues from contracts with this state, principally by the government operations segment, were $26,189, $30,934 and $49,131 for the years ended September 30, 1997, 1998 and 1999, respectively.

13. BUSINESS SEGMENTS

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

<TABLE>
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	1997	1998	1999
Revenues:			
Government Operations	$ 97,369	$139,263	$177,428
Consulting	75,986	104,851	142,112
	$173,355	$244,114	$319,540
Income from operations:			
Government Operations	$ 6,164	$ 10,642	$ 16,816
Consulting	6,549	13,489	26,446
	$ 12,713	$ 24,131	$ 43,262
Identifiable assets:			
Government Operations	26,610	42,429	42,152
Consulting	31,273	46,160	71,243
Corporate	56,001	37,413	109,641
	$113,884	$126,002	$223,036
Capital expenditures:			
Government Operations	$ 2	$ --	$ --
Consulting	884	699	2,415
Corporate	415	461	8,174
	$ 1,301	$ 1,160	$ 10,589
Depreciation and amortization:			
Government Operations	$ 204	$ 1,518	$ 779
Consulting	740	875	1,438
Corporate	180	86	467
	$ 1,124	$ 2,479	$ 2,684

</TABLE>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The response to this item is contained in part under the caption "Executive Officers of the Registrant" in Part I hereof and the remainder is incorporated herein by reference from the discussion responsive thereto under the caption "PROPOSAL 1: Election of Directors" in the Company's Proxy Statement relating to its Annual Meeting of Shareholders scheduled for February 23, 2000 (the "Proxy

Statement").

ITEM 11. EXECUTIVE COMPENSATION

The response to this item is incorporated herein by reference from the discussion responsive thereto under the caption "Executive Compensation" in the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The response to this item is incorporated herein by reference from the discussion responsive thereto under the caption "Security Ownership of Management and Five Percent Owners" in the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The response to this item is incorporated herein by reference from the discussion responsive thereto under the caption "Certain Relationships and Related Transactions" in the Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K

(a) 1. FINANCIAL STATEMENTS

The consolidated financial statements are listed under Item 8 of this report.

2. FINANCIAL STATEMENT SCHEDULES

None.

(b) REPORTS ON FORM 8-K

No Current Reports on Form 8-K were filed by the Company during the fourth quarter of fiscal 1999.

(c) EXHIBITS

The Exhibits filed as part of this Form 10-K are listed on the Exhibit Index immediately preceding such Exhibits, which Exhibit Index is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized in the city of McLean, Commonwealth of Virginia, on the 21th day of December 1999.

<TABLE>
<S> <C> <C>

MAXIMUS, INC.

By: /s/ DAVID V. MASTRAN

David V. Mastran
PRESIDENT AND CHIEF EXECUTIVE OFFICER

</TABLE>

Each undersigned person hereby constitutes and appoints David V. Mastran, Raymond B. Ruddy, F. Arthur Nerret, David Francis and Lynnette C. Fallon, and each of them singly, with full power of substitution and full power to act without the other, as his or her true and lawful attorney-in-fact and agent, with full power to sign for use, in his or her name and in the capacity indicated below, any and all amendments to this Annual Report on Form 10-K of MAXIMUS, Inc. for the fiscal year ended September 30, 1999, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming that each said attorney-in-fact may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<C>	<S>	<C>
/s/ DAVID V. MASTRAN --- David V. Mastran	President, Chief Executive Officer and Director (Principal Executive	December 21, 1999

	Officer)	
/s/ RAYMOND B. RUDDY Raymond B. Ruddy	Chairman of the Board of Directors	December 21, 1999
/s/ F. ARTHUR NERRET F. Arthur Nerret	Chief Financial Officer (Principal Financial and Accounting Officer)	December 21, 1999
/s/ RUSSELL A. BELIVEAU Russell A. Beliveau	Director	December 21, 1999
/s/ JESSE BROWN Jesse Brown	Director	December 21, 1999
/s/ MARGARET CARRERA Margaret Carrera	Vice-Chairwoman of the Board and Director	December 21, 1999
/s/ GEORGE C. CASEY George C. Casey	Director	December 21, 1999

</TABLE>

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<C>	<S>	<C>
/s/ LOUIS E. CHAPPUIE Louis E. Chappuie	Director	December 21, 1999
/s/ LYNN P. DAVENPORT Lynn P. Davenport	Director	December 21, 1999
/s/ STEPHEN GOLDSMITH Stephen Goldsmith	Director	December 21, 1999
/s/ THOMAS A. GRISSEN Thomas A. Grissen	Director	December 21, 1999
/s/ ROBERT J. MUZZIO Robert J. Muzzio	Director	December 21, 1999
/s/ PETER POND Peter Pond	Director	December 21, 1999

</TABLE>

EXHIBIT INDEX

<TABLE>
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EXHIBIT NUMBER	EXHIBIT
<S>	<C>
3.1	Amended and Restated Articles of Incorporation of Company. (1)
3.2	Amended and Restated By-laws of Company. (1)
4.1	Specimen Common Stock Certificate. (1)
10.1	1997 Equity Incentive Plan, as amended. Filed herewith.*
10.2	1997 Director Stock Option Plan, as amended. (2)*
10.3	1997 Employee Stock Purchase Plan. (3)*
10.4	Amendment No. 1 to 1997 Employee Stock Purchase Plan. (4)*
10.5	Executive Employment, Non-Compete, Confidentiality and Stock Restriction Agreement by and between the Company and David

	V. Mastran. (3)*
10.6	Executive Employment, Non-Compete, Confidentiality and Stock Restriction Agreement by and between the Company and Raymond B. Ruddy. (3)*
10.7	Executive Employment, Non-Compete, Confidentiality and Stock Restriction Agreement by and between the Company and Russell A. Beliveau. (3)*
10.8	Executive Employment, Non-Compete, Confidentiality and Stock Restriction Agreement by and between the Company and Susan D. Pepin. (3)*
10.9	Executive Employment, Non-Compete, Confidentiality and Stock Restriction Agreement by and between the Company and Ilene R. Baylinson. (3)*
10.10	Executive Employment, Non-Compete, Confidentiality and Stock Restriction Agreement by and between the Company and Lynn P. Davenport. (3)*
10.11	Executive Employment, Non-Compete and Confidentiality Agreement by and between the Company and Margaret Carrera. (5)*
10.12	Executive Employment, Non-Compete and Confidentiality Agreement by and between the Company and George C. Casey. (5)*
10.13	Executive Employment, Non-Compete and Confidentiality Agreement by and between the Company and Louis E. Chappuie. (5)*
10.14	Executive Employment, Non-Compete and Confidentiality Agreement by and between the Company and Gary L. Glickman. (5)*
10.15	Executive Employment, Non-Compete and Confidentiality Agreement by and between the Company and Thomas A. Grissen. (6)*
10.16	Form of Indemnification Agreement by and between the Company and each of the directors of the Company. (3)
10.17	Letter Agreement dated September 30, 1997 between the Company and Crestar Bank with respect to a $10 million line of credit. (2)
10.18	Commercial Note, dated September 30, 1997 in the amount of $10 million, issued by the Company to Crestar Bank. (2)

</TABLE>

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EXHIBIT NUMBER	EXHIBIT
<S>	<C>
10.19	California Options Project Contract, dated October 1, 1996, by and between the Company and the Department of Health Services of the State of California. (2)
10.20	Agreement and Plan of Merger by and between the Company and David M. Griffith and Associates, Ltd. (7)
10.21	Agreement and Plan of Merger by and between the Company, Control Acquisition Corp., Control Software, Inc., James M. Paulits, John H. Hines, III, R. David Sadoo and John M. Ryan. (8)
21.1	Subsidiaries of the Company. Filed herewith.
23.1	Consent of Ernst & Young LLP, independent auditors. Filed herewith.
23.2	Consent of Grant Thornton LLP, independent auditors. Filed herewith.
24.1	Power of Attorney, contained on signature page hereto.
27.1	Financial Data Schedule. Filed herewith. EDGAR only.

99.1	Important Factors Regarding Forward Looking Statements. Filed herewith.

</TABLE>

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*   Denote management contracts and compensation plans.

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

(2) Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended September 30, 1997 (File No. 1-12997) on December 22, 1997 and incorporated herein by reference.

(3) Filed as an exhibit to the Company's Registration Statement on Form S-1 (File No. 333-21611) declared effective on June 12, 1997 and incorporated herein by reference.

(4) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 (File No. 1-12997) on August 13, 1998 and incorporated herein by reference.

(5) Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended September 30, 1998 (File No. 1-12997) on November 23, 1998 and incorporated herein by reference.

(6) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 (File No. 1-12997) on May 17, 1999 and incorporated herein by reference.

(7) Filed as an exhibit to the Company's Registration Statement on Form S-4 (File No. 333-49305) filed with the Securities and Exchange Commission on April 3, 1998 and incorporated herein by reference.

(8) Filed as an exhibit to the Company's Current Report on Form 8-K (File No. 1-12997) filed with the Securities and Exchange Commission on March 4, 1999 and incorporated herein by reference.

EXHIBIT 10.1

As amended through February 23, 1999

MAXIMUS, INC.

1997 EQUITY INCENTIVE PLAN

SECTION 1. PURPOSE

The purpose of the MAXIMUS, Inc. 1997 Equity Incentive Plan is to attract and retain key employees and consultants of the Company and its Affiliates, to provide an incentive for them to achieve long-range performance goals, and to enable them to participate in the long-term growth of the Company.

SECTION 2. DEFINITIONS

"Affiliate" means any business entity that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the Company. For purposes hereof, "control" (and with correlative meanings, the terms "controlled by" and "under common control with") shall mean the possession of the power to direct or cause the direction of the management and policies of the Company, whether through the ownership of voting stock, by contract or otherwise. In the case of a corporation "control" shall mean, among other things, the direct or indirect ownership of more than fifty percent (50%) of its outstanding voting stock.

"Award" means any Option, Stock Appreciation Right, Performance Share, Restricted Stock, Stock Unit or Other Stock-Based Award awarded under the Plan.

"Board" means the Board of Directors of the Company.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor to such Code.

"Committee" means a committee of not less than two members of the Board appointed by the Board to administer the Plan, each of whom is a "Non-Employee Director" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934 or any successor provision, as applicable to the Company at the time ("Rule 16b-3"); PROVIDED, HOWEVER, that until such committee is appointed, "Committee" means the Board.

"Common Stock" or "Stock" means the common stock of the Company.

"Company" means MAXIMUS, Inc.

"Designated Beneficiary" means the beneficiary designated by a Participant, in a manner determined by the Committee, to receive amounts due or exercise rights of the Participant in the event of the Participant's death. In the absence of an effective designation by a Participant, "Designated Beneficiary" shall mean the Participant's estate.

"Effective Date" means January 31, 1997.

"Fair Market Value" means, with respect to Common Stock or any other property, the fair market value of such property as determined by the Committee in good faith or in the manner established by the Committee from time to time.

"Incentive Stock Option" means an option to purchase shares of Common Stock awarded to a Participant under Section 6 that is intended to meet the requirements of Section 422 of the Code or any successor provision.

"Nonstatutory Stock Option" means an option to purchase shares of Common Stock awarded to a Participant under Section 6 that is not intended to be an Incentive Stock Option.

"Option" means an Incentive Stock Option or a Nonstatutory Stock Option.

"Other Stock-Based Award" means an Award, other than an Option, Stock Appreciation Right, Performance Share, Restricted Stock or Stock Unit, having a Common Stock element and awarded to a Participant under Section 11.

"Participant" means a person selected by the Committee to receive an Award under the Plan.

"Performance Cycle" or "Cycle" means the period of time selected by the Committee during which performance is measured for the purpose of determining the extent to which an award of Performance Shares has been earned.

"Performance Shares" mean shares of Common Stock, which may be earned by the achievement of performance goals, awarded to a Participant under Section 8.

"Reporting Person" means a person subject to Section 16 of the Securities Exchange Act of 1934 or any successor provision.

"Restricted Period" means the period of time during which an Award may be forfeited to the Company pursuant to the terms and conditions of such Award.

"Restricted Stock" means shares of Common Stock subject to forfeiture awarded to a Participant under Section 9.

"Stock Appreciation Right" or "SAR" means a right to receive any excess in value of shares of Common Stock over the exercise price awarded to a Participant under Section 7.

"Stock Unit" means an award of Common Stock or units that are valued in whole or in part by reference to, or otherwise based on, the value of Common Stock, awarded to a Participant under Section 10.

SECTION 3. ADMINISTRATION

The Plan shall be administered by the Committee. The Committee shall have authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the operation of the Plan as it shall from time to time consider advisable, and to interpret the provisions of the Plan. The Committee's decisions shall be final and binding. To the extent permitted by applicable law, the Committee may delegate to one or more executive officers of the Company the power to make Awards to Participants who are not Reporting Persons and all determinations under the Plan with respect thereto, provided that the Committee shall fix the maximum amount of such Awards for all such Participants and a maximum for any one Participant.

SECTION 4. ELIGIBILITY

All employees and, in the case of Awards other than Incentive Stock Options, consultants of the Company or any Affiliate, capable of contributing significantly to the successful performance of the Company, other than a person who has irrevocably elected not to be eligible and other than members of the Committee during their service as such and for such additional periods as are required to ensure that they are "disinterested persons" under Rule 16b-3 with respect to such service, are eligible to be Participants in the Plan. Incentive Stock Options may be awarded only to persons eligible to receive such Options under the Code.

SECTION 5. STOCK AVAILABLE FOR AWARDS

(a) Subject to adjustment under subsection (b), Awards may be made under the Plan for up to 3,000,000 shares of Common Stock. If any Award in respect of shares of Common Stock expires or is terminated unexercised or is forfeited without the Participant having had the benefits of ownership (other than voting rights), the shares subject to such Award, to the extent of such expiration, termination or forfeiture, shall again be available for award under the Plan. Common Stock issued through the assumption or substitution of outstanding grants from an acquired company shall not reduce the shares available for Awards under the Plan. Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

(b) If the Committee determines that any stock dividend, extraordinary cash dividend, creation of a class of equity securities, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares, warrants or rights offering to purchase Common Stock at a price substantially below fair market value, or other similar transaction affects the Common Stock such that an adjustment is required in order to preserve the benefits or potential benefits intended to be made available under the Plan, then the Committee (subject, in the case of Incentive Stock Options, to any limitation required under the Code) shall equitably adjust any or all of (i) the number and kind of shares in respect of which Awards may be made under the Plan, (ii) the number and kind of shares subject to outstanding Awards, and (iii) the award, exercise or conversion price with respect to any of the foregoing, and if considered appropriate, the Committee may make provision for a cash payment with respect to an outstanding Award, provided that the number of shares subject to any Award shall always be a whole number.

SECTION 6. STOCK OPTIONS

(a) Subject to the provisions of the Plan, the Committee may award Incentive Stock Options and Nonstatutory Stock Options and determine the number of shares to be covered by each Option, the option price therefor and the conditions and limitations applicable to the exercise of the Option. The terms and conditions of Incentive Stock Options shall be subject to and comply with Section 422 of the Code or any successor provision and any regulations thereunder, and no Incentive Stock Option may be granted hereunder more than ten years after the Effective Date.

(b) The Committee shall establish the option price at the time each Option is awarded, which price shall not be less than 100% of the Fair Market Value of the Common Stock on the date of award with respect to Incentive Stock Options. Nonstatutory Stock Options may be granted at such prices as the Committee may determine.

(c) Each Option shall be exercisable at such times and subject to such terms and conditions as the Committee may specify in the applicable Award or thereafter. The Committee may impose such conditions with respect to the exercise of Options, including conditions relating to applicable federal or state securities laws, as it considers necessary or advisable.

(d) No shares shall be delivered pursuant to any exercise of an Option until payment in full of the option price therefor is received by the Company. Such payment may be made in whole or in part in cash or, to the extent permitted by the Committee at or after the award of the Option, by delivery of a note or shares of Common Stock owned by the optionee, including Restricted Stock, or by retaining shares otherwise issuable pursuant to the Option, in each case valued at their Fair Market Value on the date of delivery or retention, or such other lawful consideration as the Committee may determine.

(e) The Committee may provide that, subject to such conditions as it considers appropriate, upon the delivery or retention of shares to the Company in payment of an Option, the Participant automatically be awarded an Option for up to the number of shares so delivered.

SECTION 7. STOCK APPRECIATION RIGHTS

(a) Subject to the provisions of the Plan, the Committee may award SARs in tandem with an Option (at or after the award of the Option), or alone and unrelated to an Option. SARs in tandem with an Option shall terminate to the extent that the related Option is exercised, and the related Option shall terminate to the extent that the tandem SARs are exercised. SARs granted in tandem with Options shall have an exercise price not less than the exercise price of the related Option. SARs granted alone and unrelated to an Option may be granted at such exercise prices as the Committee may determine.

(b) An SAR related to an Option, which SAR can only be exercised upon or during limited periods following a change in control of the Company, may entitle the Participant to receive an amount based upon the highest price paid or offered for Common Stock in any transaction relating to the change in control or paid during the thirty-day period immediately preceding the occurrence of the change in control in any transaction reported in the stock market in which the Common Stock is normally traded.

SECTION 8. PERFORMANCE SHARES

(a) Subject to the provisions of the Plan, the Committee may award Performance Shares and determine the number of such shares for each Performance Cycle and the duration of each Performance Cycle. There may be more than one Performance Cycle in existence at any one time, and the duration of Performance Cycles may differ from each other. The payment value of Performance Shares shall be equal to the Fair Market Value of the Common Stock on the date the Performance Shares are earned or, in the discretion of the Committee, on the date the Committee determines that the Performance Shares have been earned.

(b) The committee shall establish performance goals for each Cycle, for the purpose of determining the extent to which Performance Shares awarded for such Cycle are earned, on the basis of such criteria and to accomplish such objectives as the Committee may from time to time select. During any Cycle, the Committee may adjust the performance goals for such Cycle as it deems equitable in recognition of unusual or non-recurring events affecting the Company, changes in applicable tax laws or accounting principles, or such other factors as the Committee may determine.

(c) As soon as practicable after the end of a Performance Cycle, the Committee shall determine the number of Performance Shares that have been earned on the basis of performance in relation to the established performance goals. The payment values of earned Performance Shares shall be distributed to the Participant or, if the Participant has died, to the Participant's Designated

Beneficiary, as soon as practicable thereafter. The Committee shall determine, at or after the time of award, whether payment values will be settled in whole or in part in cash or other property, including Common Stock or Awards.

SECTION 9. RESTRICTED STOCK

(a) Subject to the provisions of the Plan, the Committee may award shares of Restricted Stock and determine the duration of the Restricted Period during which, and the conditions under which, the shares may be forfeited to the Company and the other terms and conditions of such Awards. Shares of Restricted Stock may be issued for no cash consideration or such minimum consideration as may be required by applicable law.

(b) Shares of Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered, except as permitted by the Committee, during the Restricted Period. Shares of Restricted Stock shall be evidenced in such manner as the Committee may determine. Any certificates issued in respect of shares of Restricted Stock shall be registered in the name of the Participant and unless otherwise determined by the Committee, deposited by the Participant, together with a stock power endorsed in blank, with the Company. At the expiration of the Restricted Period, the Company shall deliver such certificates to the Participant or if the Participant has died, to the Participant's Designated Beneficiary.

SECTION 10. STOCK UNITS

(a) Subject to the provisions of the Plan, the Committee may award Stock Units subject to such terms, restrictions, conditions, performance criteria, vesting requirements and payment rules as the Committee shall determine.

(b) Shares of Common Stock awarded in connection with a Stock Unit Award shall be issued for no cash consideration or such minimum consideration as may be required by applicable law.

SECTION 11. OTHER STOCK-BASED AWARDS

(a) Subject to the provisions of the Plan, the Committee may make other awards of Common Stock and other awards that are valued in whole or in part by reference to, or are otherwise based on, Common Stock, including without limitation convertible preferred stock, convertible debentures, exchangeable securities and Common Stock awards or options. Other Stock-Based Awards may be granted either alone or in tandem with other Awards granted under the Plan and/or cash awards made outside of the Plan.

(b) The Committee may establish performance goals, which may be based on performance goals related to book value, subsidiary performance or such other criteria as the Committee may determine, Restricted Periods, Performance Cycles, conversion prices, maturities and security, if any, for any Other Stock-Based Award. Other Stock-Based Awards may be sold to Participants at the face value thereof or any discount therefrom or awarded for no consideration or such minimum consideration as may be required by applicable law.

SECTION 12. GENERAL PROVISIONS APPLICABLE TO AWARDS

(a) LIMITATIONS ON TRANSFERABILITY. Options shall not be transferable by the recipient other than by will or the laws of descent and distribution and are exercisable during such person's lifetime only by such person or by such person's guardian or legal representative; provided that the Committee may in its discretion waive such restriction in any case.

(b) DOCUMENTATION. Each Award under the Plan shall be evidenced by a writing delivered to the Participant specifying the terms and conditions thereof and containing such other terms and conditions not inconsistent with the provisions of the Plan as the Committee considers necessary or advisable to achieve the purposes of the Plan or to comply with applicable tax and regulatory laws and accounting principles.

(c) COMMITTEE DISCRETION. Each type of Award may be made alone, in addition to or in relation to any other type of Award. The terms of each type of Award need not be identical, and the Committee need not treat Participants uniformly. Except as otherwise provided by the Plan or a particular Award, any determination with respect to an Award may be made by the Committee at the time of award or at any time thereafter.

(d) SETTLEMENT. The Committee shall determine whether Awards are settled in whole or in part in cash, Common Stock, other securities of the Company, Awards or other property. The Committee may permit a Participant to defer all or any portion of a payment under the Plan, including the crediting of interest on deferred amounts denominated in cash and dividend equivalents on amounts denominated in Common Stock.

(e) DIVIDENDS AND CASH AWARDS. In the discretion of the Committee, any Award under the Plan may provide the Participant with (i) dividends or dividend equivalents payable

currently or deferred with or without interest, and (ii) cash payments in lieu of or in addition to an Award.

(f) TERMINATION OF EMPLOYMENT. The Committee shall determine the effect on an Award of the disability, death, retirement or other termination of employment of a Participant and the extent to which, and the period during which, the Participant's legal representative, guardian or Designated Beneficiary may receive payment of an Award or exercise rights thereunder.

(g) CHANGE IN CONTROL. In order to preserve a Participant's rights under an Award in the event of a change in control of the Company, the Committee in its discretion may, at the time an Award is made or at any time thereafter, take one or more of the following actions: (i) provide for the acceleration of any time period relating to the exercise or realization of the Award, (ii) provide for the purchase of the Award upon the Participant's request for an amount of cash or other property that could have been received upon the exercise or realization of the Award had the Award been currently exercisable or payable, (iii) adjust the terms of the Award in a manner determined by the Committee to reflect the change in control, (iv) cause the Award to be assumed, or new rights substituted therefor, by another entity, or (v) make such other provision as the Committee may consider equitable and in the best interests of the Company.

(h) LOANS. The Committee may authorize the making of loans or cash payments to Participants in connection with any Award under the Plan, which loans may be secured by any security, including Common Stock, underlying or related to such Award (provided that such Loan shall not exceed the Fair Market Value of the security subject to such Award), and which may be forgiven upon such terms and conditions as the Committee may establish at the time of such loan or at any time thereafter.

(i) WITHHOLDING TAXES. The Participant shall pay to the Company, or make provision satisfactory to the Committee for payment of, any taxes required by law to be withheld in respect of Options under the Plan no later than the date of the event creating the tax liability. The Company and its Affiliates may, to the extent permitted by law, deduct any such tax obligations from any payment of any kind otherwise due to the Participant. In the Committee's discretion, the Participant may pay any taxes due with respect to an Option in whole or in part in shares of Common Stock, including shares retained from the Option creating the tax obligation, valued at their Fair Market Value on the date of retention or delivery.

(j) FOREIGN NATIONALS. Awards may be made to Participants who are foreign nationals or employed outside the United States on such terms and conditions different from those specified in the Plan as the Committee considers necessary or advisable to achieve the purposes of the Plan or to comply with applicable laws.

(k) AMENDMENT OF AWARD. The Committee may amend, modify or terminate any outstanding Award, including substituting therefor another Award of the same or a different type, changing the date of exercise or realization and converting an Incentive Stock Option to a Nonstatutory Stock Option, provided that the Participant's consent to such action shall be required unless the Committee determines that the action, taking into account any related action, would not materially and adversely affect the Participant.

SECTION 13. MISCELLANEOUS

(a) LIMITATION ON NUMBER OF SHARES GRANTED. Notwithstanding any other provision of the Plan, the aggregate number of shares of Common Stock subject to Options and SARs that may be granted within any fiscal year to any one Eligible Person under the Plan shall not exceed that number of shares equal to 20% of the total number of shares reserved for issuance under the Plan, except for grants to new hires during the fiscal year of hiring which shall not exceed that number of shares equal to 30% of the total number of shares reserved for issuance under the Plan.

(b) NO RIGHT TO EMPLOYMENT. No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a Participant the right to continued employment. The Company expressly reserves the right at any time to dismiss a Participant free from any liability or claim under the Plan, except as expressly provided in the applicable Award.

(c) NO RIGHTS AS STOCKHOLDER. Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed under the Plan until he or she becomes the holder thereof. A Participant to whom Common Stock is awarded shall be considered the holder of the Stock at the time of the Award except as otherwise provided in the applicable Award.

(d) EFFECTIVE DATE. Subject to the approval of the stockholders of the Company, the Plan shall be effective on the Effective Date. Before such approval, Awards may be made under the Plan expressly subject to such approval.

(e) AMENDMENT OF PLAN. The Board may amend, suspend or terminate the Plan or any portion thereof at any time, subject to any stockholder approval that the Board determines to be necessary or advisable.

(f) GOVERNING LAW. The provisions of the Plan shall be governed by and interpreted in accordance with the laws of the Commonwealth of Virginia.

1. ADOPTED BY THE BOARD OF DIRECTORS ON JANUARY 31, 1997
2. APPROVED BY THE SHAREHOLDERS ON FEBRUARY 3, 1997
3. AMENDED BY THE BOARD OF DIRECTORS ON AUGUST 26, 1998, AS APPROVED BY THE SHAREHOLDERS ON FEBRUARY 23, 1999.

EXHIBIT 21.1

SUBSIDIARIES OF THE COMPANY

NAME	STATE OF INCORPORATION
CARRERA-MAXIMUS, Inc.	California
CSI-MAXIMUS, Inc.	Pennsylvania
DMG-MAXIMUS, Inc.	Illinois
Network Design Group, Inc. d/b/a The Center for Health Dispute Resolution (CHDR)	New York
UNSION MAXIMUS, Inc.	Illinois

EXHIBIT 23.1

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-3, No. 333-75265) pertaining to the resale of stock in connection with the acquisition of Control Software, Inc., the Registration Statement (Form S-8, No. 333-41869) pertaining to the 1997 Director Stock Option Plan, the Registration Statement (Form S-8, No. 333-41867) pertaining to the 1997 Employee Stock Purchase Plan and the Registration Statement (Form S-8, No. 333-75263) pertaining to the 1997 Equity Incentive Plan of MAXIMUS, Inc., of our report dated November 13, 1999 with respect to the consolidated financial statements of MAXIMUS, Inc. included in the Annual Report (Form 10-K) for the year ended September 30, 1999.

/s/ Ernst & Young LLP

Ernst & Young LLP

Washington, DC
December 21, 1999

EXHIBIT 23.2

CONSENT OF GRANT THORNTON LLP, INDEPENDENT AUDITORS

We have issued our report dated March 18, 1998, except for Note L which is as of March 23, 1998, on the financial statements of David M. Griffith & Associates, Ltd. (not presented herein) for the year ended December 31, 1997 included in the Annual Report on Form 10-K of MAXIMUS, Inc. for the year ended September 30, 1999. We hereby consent to the incorporation by reference of said report in the Registration Statements of MAXIMUS, Inc. on Form S-8 (File No. 333-41867 pertaining to the 1997 Employee Stock Purchase Plan of MAXIMUS, Inc., File No. 333-41869 pertaining to the 1997 Director Stock Option Plan of MAXIMUS, Inc., and File No. 333-75263 pertaining to the 1997 Equity Incentive Plan of MAXIMUS, Inc.) and on Form S-3 (File No. 333-75265 pertaining to the resale of stock in connection with the acquisition of Control Software, Inc.).

/s/ GRANT THORNTON LLP

Chicago, Illinois
December 20, 1999

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EXHIBIT 99.1

IMPORTANT FACTORS REGARDING FORWARD LOOKING STATEMENTS

IN THIS EXHIBIT 99.1, "WE," "US," "OUR" AND "MAXIMUS" REFER TO MAXIMUS, INC. AND ITS SUBSIDIARIES.

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

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

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

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

RELIANCE ON GOVERNMENT CLIENTS

Substantially all of our clients are state or local government authorities. To market our services to government clients, we are largely required to respond to government requests for proposals ("RFPs"). To do so effectively, we must estimate accurately our cost structure for servicing a proposed contract, the time required to establish operations and likely terms of the proposals submitted by competitors. We must also assemble and submit a large volume of information within a RFP's rigid timetable. Our ability to respond successfully to RFPs will greatly impact our business, and we cannot guarantee that we will be awarded contracts through the RFP process or that our proposals will result in profitable contracts.

RISKS ASSOCIATED WITH GOVERNMENT CONTRACTING

EARLY TERMINATION OF CONTRACTS. Many of our government contracts contain base periods of one or more years, as well as option periods covering more than half of the contract's potential duration. Government agencies generally have the right not to exercise these option periods. A decision not to exercise option periods could impact the profitability of some of our contracts. Our contracts typically also contain provisions permitting a government client to terminate the contract on short notice, with or without cause. The unexpected termination of one or more significant contracts could result in significant revenue shortfalls. The natural expiration of especially large contracts can also present management challenges. If revenue shortfalls occur and are not offset by corresponding reductions in expenses, our business could be adversely affected. We cannot be certain if, when or to what extent a client might terminate any or all of its contracts with us.

CONTRACTS SUBJECT TO AUDIT. The Defense Contract Audit Agency ("DCAA"), and certain other government agencies, have the authority to audit and investigate any government contracts. These agencies review a contractor's performance on its contract, its pricing practices, its cost structure and its compliance with applicable laws, regulations and standards. Any costs found to be improperly allocated to a specific contract will not be reimbursed, while costs already reimbursed must be refunded. Therefore, a DCAA audit could result in a substantial adjustment to our revenue. No material adjustments resulted from audits completed through 1993, and we believe that adjustments resulting from subsequent audits will not adversely affect our business. If a government audit uncovers improper or illegal activities, a contractor may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeitures of profits, suspension of payments, fines and suspension or disqualification from doing business with the government.

DISCOURAGEMENT OF REVENUE CONSULTING BY FEDERAL OFFICIALS. To avoid higher than anticipated demands for federal funds, federal government officials occasionally discourage state and local authorities from engaging private consultants to advise them on maximizing federal revenues. We cannot be certain that state and local officials will not be dissuaded from engaging us for revenue maximization services.

RELATIONSHIPS WITH POLITICAL CONSULTANTS. We occasionally engage marketing consultants, including lobbyists, to establish and maintain relationships with elected officials and appointed members of government agencies. The effectiveness of these consultants may be reduced or eliminated if a significant political change occurs. Implementation of term limits for certain elected officials, for instance, would require us to confront political change on a more regular basis. Because we cannot be certain that we will successfully manage our relationships with political consultants, our business may be adversely affected.

RISKS INVOLVED IN MANAGING GOVERNMENT PROJECTS

RISK OF FIXED-PRICE AND PERFORMANCE-BASED CONTRACTS. We derived approximately 37% of our fiscal 1999 revenues from fixed-price contracts and approximately 19% of our fiscal 1999 revenues from performance-based contracts. For fixed-price contracts, we receive our fee if we meet specified objectives or achieve certain units of work. Those objectives might include placing a certain number of welfare recipients into jobs, collecting target amounts of child support payments, or completing a particular number of managed care enrollments. For performance-based contracts, we receive our fee on a per-transaction basis. Such contracts include, for example, child support enforcement contracts, in which we often receive a fee based on the amount of child support collected. To earn a profit on these contracts, we rely upon accurately estimating costs involved and assessing the probability of meeting the specified objectives, realizing the expected units of work or completing individual transactions, within the contracted time period. We recognize revenues on these contracts on a "costs incurred" method. Therefore, we review these contracts quarterly and adjust revenues to reflect our current expectations. These adjustments affect the timing and amount of revenue recognized and could adversely affect our financial results. If we fail to estimate accurately the factors upon which we base our contract pricing, then we may have to report a decrease in revenues or incur losses on these contracts.

FAILURE TO MEET CONTRACT PERFORMANCE STANDARDS. Our inability to satisfy adequately our contractual obligations could adversely affect our financial condition. Our contracts often require us to indemnify clients for our failures to meet certain performance standards. Some contracts contain liquidated damages provisions and financial penalties related to performance failures. In addition, in order for our Government Operations Group to bid on certain contracts, we are required to secure our indemnification obligations by posting a cash performance bond or obtaining a letter of credit. If a claim is made against a performance bond or letter of credit, the issuer of the bond could demand higher premiums. Increased bond premiums would adversely affect our earnings and could limit our ability to bid for future contracts. In addition, a failure to meet our client's expectations when performing on a contract could materially and adversely affect our reputation, which, in turn, would impact our ability to compete for new contracts.

TERMINATION OF LARGE CONTRACTS. Upon termination or expiration of a contract between our Government Operations Group and a state or local government, we have to evaluate whether, and in what capacity, we can continue employing persons that formerly serviced the contract. Unless we enter into a new contract using those same employees or otherwise re-assign them, their employment must be terminated. The reassignment or termination of a large number of employees makes significant demands on our management and administrative resources.

RELATIONSHIPS WITH GOVERNMENT ENTITIES. To facilitate our ability to prepare bids in response to RFPs, we rely in part on establishing and maintaining relationships with officials of various government entities and agencies. These relationships enable us to provide informal input and advice to the government entities and agencies prior to the development of an RFP. Because we cannot be certain that we will successfully manage our relationships with government entities and agencies, our business may be adversely affected.

SIGNIFICANT START UP COSTS. When we are awarded a contract to manage a government program, our Government Operations Group can incur significant start-up expenses before we receive any contract payments. These expenses include leasing office space, purchasing office equipment and hiring personnel. As a result, in certain large contracts where the government does not fund program start-up costs, we are required to invest significant sums of money prior to receiving related contract payments.

LEGISLATIVE CHANGE AND POLITICAL DEVELOPMENTS

DEPENDENCE ON LEGISLATIVE PROGRAMS. The market for our services is dependent largely on federal and state legislative programs. These programs can be modified or amended at any time by acts of federal and state governments. For example, in 1996 Congress amended the Social Security Act to eliminate social security and supplemental income benefit payments based solely on drug and alcohol disabilities. That amendment resulted in the termination of our substantial contract with the federal Social Security Administration, which related to the referral and monitoring of the treatment of recipients of these benefits. Future legislative changes that we do not anticipate or respond to effectively could occur and adversely affect our business.

DEPENDENCE ON WELFARE REFORM ACT. We expect that the Welfare Reform Act and other federal and state initiatives will continue to encourage long-term changes in the nation's welfare system. Part of our growth strategy includes aggressively pursuing these opportunities by seeking new contracts to administer and new health and welfare programs to manage. However, there are many opponents of welfare reform. As a result, future progress in the area of welfare reform is uncertain. The repeal of the Welfare Reform Act, in whole or in part, could adversely affect our business. Also, we cannot be certain that additional reforms will be proposed or enacted, or that previously enacted reforms will not be challenged, repealed or invalidated.

RESTRICTIONS ON PRIVATIZATION. Under current law, in order to privatize certain functions of government programs, the federal government must grant a consent and/or waiver to the petitioning state or local agency. For example, in May 1997 the Department of Health and Human Services refused to grant a waiver to the State of Texas permitting private corporations, rather than public employees, to decide eligibility of applicants for Food Stamps and Medicaid benefits. Although MAXIMUS did not bid on the Texas projects, we may face similar obstacles in pursuing future health and human services contracts.

RISKS OF ACQUISITION STRATEGY; RISKS OF COMPLETED ACQUISITIONS

Our business strategy includes expanding our operations, breadth of service offerings and geographic scope by acquiring or combining with related businesses. To date, we have combined with eight consulting firms and are still in the process of integrating their operations. We cannot be certain that we will be able to continue to identify, acquire and manage additional businesses profitably or integrate them successfully without incurring substantial expenses, delays or other problems. Furthermore, business combinations may involve special risks, including:

- - Diversion of management's attention

- - Loss of key personnel

- - Assumption of unanticipated legal liabilities

- - Amortization of acquired intangible assets

- - Dilution to our earnings per share

Also, client dissatisfaction or performance problems at an acquired firm could materially and adversely affect our reputation as a whole. Furthermore, we cannot be certain that acquired businesses will achieve anticipated revenues and earnings.

CHALLENGES RESULTING FROM GROWTH

Sustaining growth has placed significant demands on management as well as on our administrative, operational and financial resources. To manage our growth, we must continue to improve our operational, financial and management information systems and expand, motivate and manage our workforce. However, our growth and management of large-scale health and human services programs must not come at the expense of providing quality service and generating reasonable profits. We cannot be certain that we will continue to experience growth or successfully manage it.

OPPOSITION FROM GOVERNMENT UNIONS

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

RELIANCE ON KEY EXECUTIVES

The abilities of our executive officers, including David V. Mastran and Raymond B. Ruddy, and our senior managers to generate business and execute projects successfully is important to our success. While we have employment agreements with certain of our executive officers, these agreements are terminable under certain conditions. The loss of a key executive could impair our ability to secure and manage engagements. To limit some of this risk, we have obtained key-man life insurance policies on Dr. Mastran and Mr. Ruddy in the amounts of $6,100,000 and $3,950,000, respectively.

ATTRACTION AND RETENTION OF EMPLOYEES

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

- - Experienced and innovative executive officers

- - Senior managers who have successfully managed or designed health and human services programs in the public sector

- - Information technology professionals who have designed or implemented complex information technology projects

Innovative, experienced and technically proficient individuals are in great demand and are likely to remain a limited resource. We cannot be certain that we can continue to attract and retain desirable executive officers and senior managers. A failure to hire sufficient personnel on a timely basis could adversely affect our business. The loss of significant numbers of executive officers and senior managers could produce similar adverse consequences.

COMPETITORS; EFFECTS OF COMPETITION

INTENSIFICATION OF COMPETITION. Competition to provide certain program management and consulting services to state and local government agencies has intensified. Our Government Operations Group competes for program management contracts with the following:

- - Local non-profit organizations such as the United Way and Goodwill Industries

- - Government services divisions of large organizations such as Andersen Consulting, Lockheed Martin Corporation and Electronic Data Systems, Inc.

- - Specialized service providers such as America Works, Inc., Policy Studies Incorporated, and Benova, Inc.

Our Consulting Group competes with:

- - The consulting divisions of the "Big 5" accounting firms

- - Electronic Data Systems, Inc.

Many of these companies are national and international in scope and have greater resources than we have. Substantial resources could enable certain competitors to initiate severe price cuts or take other measures in an effort to gain market share. In addition, we may be unable to compete for a limited number of large contracts because we may not be able to meet an RFP's requirement to obtain and post large cash performance bonds. Also, in certain geographic areas, we face competition from smaller consulting firms with established reputations and political relationships. We cannot be certain that we will compete successfully against our existing or any new competitors.

COMPETITION FROM FORMER EMPLOYEES. In addition to competition from existing competitors, we may experience competition from former employees. Although we have entered into non-competition agreements with some of our senior level employees, we cannot be certain that a court would enforce these contracts. Competition by former employees could adversely affect our business.

ADVERSE PUBLICITY

The nature of our contracts with state and local government authorities frequently generates media attention. In particular, our management of health and human services programs and revenue maximization services have occasionally received negative media coverage. This negative coverage could influence government officials and slow the pace of welfare reform. The media also focuses its attention on the activities of political consultants engaged by us, even when their activities are unrelated to our business. We may be subject to adverse media attention relating to the activities of individuals who are not under our control. In addition, we cannot assure that the media will accurately cover our activities or that we will be able to anticipate and respond in a timely manner to all media contacts. Inaccurate or misleading media coverage or our failure to manage adverse coverage could adversely affect our reputation.

LITIGATION

DMG-MAXIMUS LITIGATION. On May 12, 1998, we acquired DMG, which was subsequently merged into DMG-MAXIMUS, a wholly-owned subsidiary of MAXIMUS. DMG is currently defending against a lawsuit arising out of consultation services provided to underwriters of revenue bonds issued by Superstition Mountains Community Facilities District No. 1 (the "District") in 1994. The bonds were issued to finance construction of a water waste treatment plant in Arizona. However, the District was unable to service the bonds and eventually declared bankruptcy. The District voluntarily came out of bankruptcy and is currently operating under a forbearance agreement with the sole purchaser of the bonds, Allstate Insurance Company ("Allstate"). A consolidated action arising out of these events is pending in the U.S. District Court for the District of Arizona against DMG-MAXIMUS and thirteen other named defendants. The parties making claims against DMG-MAXIMUS in the lawsuit, Allstate and the District, allege that DMG made false and misleading representations in the reports DMG prepared included among the exhibits to the bond offering memoranda. DMG's reports concerned certain financial projections made by the District regarding its ability to service the bonds. Allstate seeks as damages $32.1 million, the principal amount of bonds it purchased together with accrued and unpaid interest; the District seeks actual and special damages, prejudgment interest and costs. DMG-MAXIMUS believes these claims are without merit and intends to defend against these actions vigorously. We do not believe these actions will have a material adverse effect on our financial condition or results of operations. However, we cannot assure that we will be successful in defending this lawsuit.

SUIT BY FORMER OFFICER. We are currently defending a lawsuit brought by a former officer, director and shareholder alleging that, at the time he resigned from MAXIMUS in 1996 and became obligated to sell his MAXIMUS shares back to the Company, we failed to disclose to him material information regarding the potential value of those shares. The former officer seeks damages in excess of $10 million. We do not believe that this claim has merit and intend to oppose it

vigorously. We do not believe this action will have a material adverse effect on our financial condition or results of operations. However, we cannot assure that we will be successful in our defense.

SUIT BY NETWORK SIX. In 1997, we were named as a third-party defendant by Network Six, Inc. ("Network Six") in a lawsuit brought by the State of Hawaii against Network Six. Network Six alleged that we tortiously interfered with and abetted Hawaii in the alleged breach of its contract with Hawaii. We paid Network Six $50,000 in full settlement of all claims in October 1999. The settlement was made without admission of fault or liability on our part.

VARIABILITY OF QUARTERLY OPERATING RESULTS

A number of factors cause our revenues and operating results to vary from quarter to quarter. These factors include:

- - The progress of contracts

- - The levels of revenues earned on contracts (including any adjustments in expectations on revenue recognition on fixed-price contracts)

- - The commencement, completion or termination of contracts during any particular quarter

- - The schedules of government agencies for awarding contracts

- - The term of awarded contracts

- - The reactions of the market to announcements of potential acquisitions

- - General economic conditions

Changes in the volume of activity and the number of contracts commenced or completed during any quarter may cause significant variations in our operating results because a relatively large amount of our expenses are fixed. Furthermore, on occasion we incur greater operating expenses during the start-up and early stages of significant contracts.

CONCENTRATION OF OWNERSHIP BY PRINCIPAL SHAREHOLDERS

Our executive officers own beneficially approximately 41% of our common stock. Certain executive officers, who beneficially own approximately 34% of the outstanding shares, have agreed to hold their shares until June 2001, subject to certain exceptions. In addition, Mr. Ruddy has agreed to vote his shares of common stock in a manner instructed by Dr. Mastran until September 30, 2001. Together, Dr. Mastran and Mr. Ruddy beneficially own approximately 32% of our common stock. As a result, these officers can exercise significant influence over the outcome of matters requiring a shareholder vote, including the election of the board of directors. This significant influence could delay or prevent a change in control of the company, which could adversely affect the market price of our common stock.

POSSIBLE VOLATILITY OF STOCK PRICE

MAXIMUS first publicly issued common stock on June 13, 1997 at $16.00 per share in its initial public offering (the "IPO"). Between June 13, 1997 and September 30, 1999, the closing sale price has ranged from a high of $41.50 per share to a low of $17.00 per share. The market price of our common stock could continue to fluctuate substantially due to a variety of factors, including:

- - Quarterly fluctuations in results of operations

- - The failure to be awarded a significant contract on which we have bid

- - The termination by a government client of a material contract

- - The announcement of new services by competitors

- - Acquisitions and mergers

- - Political and legislative developments adverse to the privatization of government services

- - Changes in earnings estimates by securities analysts

- - Changes in accounting principles

- - Sales of common stock by existing shareholders

- - Negative publicity

- - Loss of key personnel

Our ability to meet securities analysts' quarterly expectations may also influence the market price of our common stock. In addition, overall volatility has often significantly affected the market prices of securities for reasons unrelated to a company's operating performance. In the past, securities class action litigation has often been commenced against companies that have experienced periods of volatility in the price of their stock. Securities litigation initiated against us could cause us to incur substantial costs and could lead to the diversion of management's attention and resources.

CERTAIN ANTI-TAKEOVER EFFECTS

Virginia law and our Articles of Incorporation and By-Laws include provisions that may be deemed to have anti-takeover effects. These provisions may delay, deter or prevent a takeover attempt that shareholders might consider desirable. Our directors are divided into three classes and are elected to serve staggered three-year terms. This structure could impede or discourage an attempt to obtain control of the company. Shareholders of MAXIMUS do not possess the power to take any action in writing without a meeting. In addition, Virginia law imposes certain limitations and special voting requirements on affiliated transactions. Furthermore, Virginia law denies voting rights to shares acquired in control share acquisitions, unless granted by a shareholder vote.

RISKS ASSOCIATED WITH YEAR 2000 COMPLIANCE

INTERNAL YEAR 2000 COMPLIANCE. We have audited our internal software, hardware, and telephone systems and those of our divisions and acquired companies for Year 2000 compliance and have implemented corrective actions where necessary. The MAXSTAR case management software used in all our major projects has been upgraded to be Year 2000 compliant. All MAXSTAR-based applications have also been reviewed and upgraded, where necessary. Although our audit and remediation efforts have been completed, we continue to evaluate contingency plans in the event that a service outside of our control experiences processing problems or failures. As we have not discovered any specific instance of material Year 2000 non-compliance to date, we have not yet adopted any specific contingency plans to deal with Year 2000 issues. Our costs for these efforts have not been material and we do not expect future costs to be material or to materially affect our financial results. Nevertheless, we cannot be certain that our corrective actions and contingency plans have eliminated all Year 2000 risks, and a Year 2000-related problem could have a material adverse impact on our business.

SERVICES PROVIDED BY MAXIMUS AFFECTING CLIENTS' YEAR 2000 COMPLIANCE. We assist in evaluating, testing and certifying government client systems affected by Year 2000 problems. In addition, we provide quality assurance monitoring of Year 2000 compliance conversions performed by third parties for our clients. Although we have attempted to minimize our liability for potential clients' system failures, we cannot assure that we will not become subject to legal action if a client sustains Year 2000 problems. If such legal action is brought and resolved against us, we could suffer adverse effects on our business and financial results.

RELIANCE ON VENDORS' AND CLIENTS' YEAR 2000 COMPLIANCE. In order to perform our government contracts, we rely to varying extents on information processing performed by vendors, governmental agencies and entities with which we contract. We have inquired about these parties' potential Year 2000 problems where necessary. Based on responses to these

inquiries, our management believes that we would be able to continue to perform on these contracts without experiencing material negative financial impact. Even though we have been satisfied with the results of our inquiries, we continue to evaluate contingency plans in the event of Year 2000-related problems or failures are experienced by any of our vendors or clients. As we have not discovered any specific instance of material Year 2000 non-compliance by our vendors or clients to date, we have not yet adopted any specific contingency plans to deal with Year 2000 issues. However, we cannot assure that Year 2000 related failures in the information systems of vendors or clients will not occur. Any system failures could interfere with our ability to properly manage contracted projects and could adversely affect our business and results of operations.

While we believe that we have addressed all material Year 2000 problems, there are a number of risks associated with Year 2000, only some of which are within our control. These risks include unforeseen difficulties in completing certain Year 2000 problems, an incomplete audit of internal hardware and software, and the failure of one or more government clients to adequately address the Year 2000 problem. Our Year 2000 efforts are meant to help manage and mitigate these risks. However, we cannot be certain that our efforts have eliminated all Year 2000 risks, and a Year 2000-related problem could have a material adverse impact on our business.

UNCERTAINTIES RELATED TO INTERNATIONAL OPERATIONS

Most of our international operations are currently paid for by the World Bank and the U.S. Agency for International Development in U.S. dollars. However, as we expand our operations into developing countries we could encounter a number of additional risks. The potential risks to our expected international revenues include:

- - Adverse currency exchange rate fluctuations

- - Inability to collect receivables

- - Difficulty in enforcing contract terms through a foreign country's legal system

Foreign countries could also impose tariffs, impose additional withholding taxes or otherwise tax our foreign income.