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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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 No.)
1356 BEVERLY ROAD MCLEAN, VIRGINIA	22101
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (703) 734-4200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes / x / No / /

CLASS	OUTSTANDING AT MAY 10, 2000
Common Shares, No Par Value	21,071,980

MAXIMUS, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2000

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

Item 6. Exhibits and Reports on Form 8-K

Signatures

Exhibit Index

MAXIMUS, INC.
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	SEPTEMBER 30, 1999	MARCH 31, 2000 (UNAUDITED)
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 61,647	$ 46,511
Marketable securities	37,235	26,541
Accounts receivable, net	75,865	89,424
Costs and estimated earnings in excess of billings	16,150	20,360
Prepaid expenses and other current assets	2,711	3,392
Deferred income taxes	2,997	2,531
Total current assets	196,605	188,759
Property and equipment at cost:		
Land	2,643	2,643
Building and leasehold improvements	8,174	8,270
Office furniture and equipment	10,429	12,498
	21,246	23,411
Less: Accumulated depreciation and amortization	(6,524)	(7,793)
Total property and equipment, net	14,722	15,618
Software development costs	--	5,181
Deferred income taxes	363	--
Intangible assets	8,254	32,543
Other assets	3,092	2,104
Total assets	$ 223,036	$ 244,205
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 10,265	$ 9,646
Accrued compensation and benefits	16,119	13,478
Billings in excess of costs and estimated earnings	16,942	12,770
Income taxes payable	2,266	--
Notes payable	--	4,045
Other current liabilities	541	7,703
Total current liabilities	46,133	47,642
Other liabilities	1,424	3,347
Total liabilities	47,557	50,989
Shareholders' equity:		
Common stock, no par value; 60,000,000 shares authorized; 20,986,322 and 21,070,415 shares issued and outstanding at September 30, 1999 and March 31, 2000, at stated amount	130,518	132,013
Accumulated other comprehensive loss	(280)	(264)
Retained earnings	45,241	61,467
Total shareholders' equity	175,479	193,216
Total liabilities and shareholders' equity	$ 223,036	$ 244,205

</TABLE>

See notes to consolidated financial statements.

MAXIMUS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31,		SIX MONTHS ENDED MARCH 31,	
	1999	2000	1999	2000
Revenues	$ 76,290	$ 93,501	$148,636	$183,184
Cost of revenues	52,894	64,249	105,127	126,334
Gross profit	23,396	29,252	43,509	56,850
Selling, general and administrative expenses	12,784	15,281	24,045	30,707
Deferred compensation, merger and ESOP expenses	118	--	118	--
Amortization of goodwill and other acquisition related intangibles	--	371	--	645
Income from operations	10,494	13,600	19,346	25,498
Interest and other income	881	1,099	1,275	2,149
Income before income taxes	11,375	14,699	20,621	27,647
Provision for income taxes	4,700	6,133	8,353	11,421
Net income	$ 6,675	$ 8,566	$ 12,268	$ 16,226
Earnings per share:				
Basic	$ 0.32	$ 0.41	$ 0.61	$ 0.77
Diluted	$ 0.31	$ 0.40	$ 0.60	$ 0.76
Shares used in computing earnings per share:				
Basic	20,944	21,036	20,101	21,019
Diluted	21,333	21,535	20,467	21,427

</TABLE>

See notes to consolidated financial statements.

MAXIMUS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)
(UNAUDITED)

<TABLE>
<CAPTION>

	SIX MONTHS ENDED MARCH 31,	
	1999	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 12,268	$ 16,226
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,229	2,007
Deferred income taxes	--	18
Change in assets and liabilities:		
Accounts receivable, net	4,243	(6,884)
Costs and estimated earnings in excess of billings	(2,221)	(2,520)
Prepaid expenses and other current assets	(10)	318
Prepaid income taxes	(1,706)	--
Other assets	(747)	853
Accounts payable	(926)	(2,713)
Accrued compensation and benefits	(2,397)	(3,338)
Billings in excess of costs and estimated earnings	770	(5,084)
Income taxes payable	(3)	(2,941)
Other liabilities	141	139
Net cash provided by (used in) operating activities	10,641	(3,919)
CASH FLOWS FROM INVESTING ACTIVITIES:		

Acquisition of businesses, net of cash acquired	(2,637)	(21,889)
Capitalization of software development costs	--	(387)
Purchase of property and equipment	(8,953)	(1,564)
(Purchase) sale of marketable securities	(54,107)	10,710
Net cash used in investing activities	(65,697)	(13,130)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from secondary offering, net of expenses	61,010	--
S Corporation distributions	(756)	--
Issuance of common stock	170	1,495
Net (payments on) proceeds from borrowings	(145)	43
Net cash provided by financing activities	60,279	1,538
Net increase (decrease) in cash and cash equivalents	5,223	(15,511)
Cash flow adjustment for change in accounting period of CSI	31	--
Cash and cash equivalents, beginning of period	19,403	62,022
Cash and cash equivalents, end of period	$ 24,657	$ 46,511

</TABLE>

See notes to consolidated financial statements.

MAXIMUS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED MARCH 31, 2000 AND 1999
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

1. ORGANIZATION AND BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normally recurring accruals) considered necessary for a fair presentation have been included. The results of operations for the three-month and six-month periods ended March 31, 2000 are not necessarily indicative of the results that may be expected for the full fiscal year. These financial statements should be read in conjunction with the audited financial statements as of September 30, 1999 and 1998 and for each of the three years in the period ended September 30, 1999 included in the Company's annual report on Form 10-K, as filed with the Securities and Exchange Commission.

2. SECONDARY PUBLIC OFFERING

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

3. BUSINESS COMBINATIONS AND ACQUISITIONS

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, Inc. ("CSI"). This combination was accounted for as a pooling of interests.

On March 31, 1999, the Company acquired all of the outstanding shares of capital stock of 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 all of the outstanding shares of capital stock of Unison Consulting Group, Inc. for $7,589. In conjunction with the purchase, the Company recorded intangible assets of $6,328.

On September 30, 1999, the Company acquired all of the outstanding shares of capital stock of 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 $827. The purchase is subject to an upward adjustment of $1,200 if CHDR secures the renewal of a certain contract.

On October 20, 1999, the Company acquired all of the outstanding shares of capital stock of Public Systems, Inc. for $5,000. In conjunction with the purchase, the Company recorded intangible assets of $4,735.

On March 20, 2000, the Company acquired all of the outstanding shares of capital stock of Crawford Consulting, Inc. for $17,500. In conjunction with the purchase, the Company recorded intangible assets of $13,056.

On March 31, 2000, the Company acquired substantially all of the assets of the Government Services division of 3-G International, Inc. for $7,000, plus an earn-out amount of up to $3,000 to be paid by the Company upon the achievement of certain objectives. In conjunction with the purchase, the Company recorded intangible assets of $6,708.

4. COMMITMENTS AND CONTINGENCIES

On November 28, 1997, an individual who was 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. This matter is currently scheduled for trial on September 11, 2000. The Company believes these claims are without merit and intends to defend the matter vigorously. Although there can be 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.

On May 12, 1998, the Company acquired David M. Griffith & Associates, Ltd. ("DMG"), which was subsequently merged into DMG-MAXIMUS, Inc. ("DMG-MAXIMUS"), a wholly-owned subsidiary of MAXIMUS. A consolidated legal action was brought against DMG-MAXIMUS and thirteen other named defendants in the U.S. District Court for the District of Arizona by Superstition Mountains Community Facilities District No. 1 (the "District") and Allstate Insurance Company ("Allstate"), alleging that DMG made false and misleading representations in the reports DMG prepared as a consultant to underwriters of revenue bonds issued by the District and purchased by Allstate. On May 12, 2000, DMG-MAXIMUS agreed to a confidential settlement agreement with the District and Allstate. The settlement amount to be paid by DMG-MAXIMUS is not material and will not have an adverse effect on the Company's financial condition or results of operations.

In January 2000, the New York City Human Resources Administration ("HRA") submitted two contracts that it had awarded to the Company for welfare-to-work services to the Comptroller of New York City (the "Comptroller") to be registered. Under New York law, the contracts must be registered in order for the Company to receive payment. However, the Comptroller refused to register the contracts alleging improprieties in the procurement process and in the Company's conduct. The Mayor of the City of New York (the "Mayor") and HRA disagreed with the Comptroller's assertions and, in March 2000, sued the Comptroller in the Supreme Court of the State of New York - New York County (the "Court"), seeking to require the Comptroller to register the contracts. On April 13, 2000, the Court issued a decision and judgment holding that the Comptroller has a mandatory duty to register the contracts. However, as a matter of judicial discretion, the Court refused to require registration, finding that the Comptroller had established that the procurement process had been corrupted. This decision has been appealed by the Mayor and HRA to the New York Supreme Court Appellate Division - First Department (the "Appellate Division"). On April 24, 2000, the Company filed a motion in the Appellate Division to intervene in the lawsuit. The Company is asking for the Court's decision to be set aside on the grounds that it contained findings of fact against the Company not supported by the record and that the Court failed to afford the Company with its constitutional rights to notice of a hearing and an opportunity to be heard. The Appellate Division has agreed to hear the appeal on an expedited basis. A hearing is currently scheduled for June 2000. This matter is also the subject of investigations being conducted by certain governmental agencies. The District Attorney's Office of New York County and the United States Attorney's Office for the Southern District of New York, in response to requests made by the Comptroller, have announced that they are investigating the facts underlying this matter. Both offices issued subpoenas for documents to the Company in early May 2000. The Company believes the Comptroller's claims are without merit and intends to defend against his allegations vigorously. MAXIMUS is believes that its actions were lawful and appropriate and plans to cooperate fully with the governmental reviews of the matter. Although there can be no assurance of a favorable outcome, the Company does not

believe that this matter will have a material adverse effect on the Company's financial condition or results of operations.

The Company also is involved in various other legal proceedings in the ordinary course of 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 resolved in an unfavorable manner to the Company.

5. EARNINGS PER SHARE

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

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31,		SIX MONTHS ENDED MARCH 31,	
	1999	2000	1999	2000
<S>	<C>	<C>	<C>	<C>
Numerator:				
Net income	$ 6,675	$ 8,566	$12,268	$16,226
Denominator:				
Denominator for basic earnings per share:				
Weighted average shares outstanding	20,944	21,036	20,101	21,019
Stock options	389	499	366	407
Denominator for dilutive earnings per share	21,333	21,535	20,467	21,427
Earnings per share:				
Basic	$ 0.32	$ 0.41	$ 0.61	$ 0.77
Diluted	$ 0.31	$ 0.40	$ 0.60	$ 0.76

</TABLE>

6. SEGMENT INFORMATION

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

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31,		SIX MONTHS ENDED MARCH 31,	
Revenues:	1999	2000	1999	2000
<S>	<C>	<C>	<C>	<C>
Government Operations	$ 42,544	$ 54,030	$ 81,361	$105,210
Consulting	33,746	39,471	67,275	77,974
Total	$ 76,290	$ 93,501	$148,636	$183,184
Income From Operations:				
Government Operations	$ 4,428	$ 6,608	$ 6,995	$ 11,569
Consulting	6,066	6,992	12,351	13,929
Total	$ 10,494	$ 13,600	$ 19,346	$ 25,498

</TABLE>

ITEM 2. 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 welfare-to-work and job readiness, child support enforcement, managed care enrollment and disability services. The Consulting Group provides consulting services to state, county and local legislatures and government agencies, including health and human services, law enforcement, parks and recreation, taxation, housing, motor vehicles, labor and education.

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, Control Software, Inc. ("CSI") in February 1999, Norman Roberts & Associates, Inc. ("Roberts") in March 1999, Unison Consulting Group, Inc. ("Unison") in June 1999, Network Design Group, Inc. dba The Center for Health Dispute Resolution ("CHDR") in September 1999, Public Systems, Inc. ("PSI") in October 1999, and Crawford Consulting, Inc. ("Crawford") in March 2000. Additionally, the Company acquired substantially all of the assets of the Government Services division of 3-G International, Inc. ("3GI") in March 2000. Spectrum, DMG, Carrera, Phoenix and CSI was each accounted for as a pooling of interests combination. Roberts, Unison, CHDR, PSI, Crawford and 3GI was each accounted for as a purchase. See "Business Combinations and Acquisitions" below. Prior year amounts have been restated to reflect the combinations 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.

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.

BUSINESS COMBINATIONS AND ACQUISITIONS

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 services and enhance the Company's consultant customer base. The Company combined with four consulting firms during fiscal 1999, one of which was accounted for as a pooling of interests, and two firms during the first half of fiscal 2000, each accounted for as a purchase. Additionally, the Company acquired substantially all of the assets of a division of one firm during the first half of fiscal 2000.

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 sector 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 $7,589,000. Unison, based in Chicago, Illinois, provides financial consulting for major government owned airports. In connection with the purchase, the Company recorded intangible assets of $6,328,000. 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 Rochester, 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 $827,000. The purchase is subject to an upward adjustment of $1,200,000 if CHDR secures the renewal of a certain contract. At the time of the combination, CHDR had 35 employees.

On October 20, 1999, the Company acquired all of the outstanding shares of capital stock of PSI for $5,000,000. PSI, based in Wilmington, Delaware, provides client-server and internet-enabled case management systems to government customers. In connection with the purchase, the Company recorded intangible assets of $4,735,000. At the time of the combination, PSI had 26 employees.

On March 20, 2000, the Company acquired all of the outstanding shares of capital stock of Crawford for $17,500,000. Crawford, based in Canton, Ohio, provides web-enabled information systems and consulting services for state and local government courts and justice agencies. In connection with the purchase, the Company recorded intangible assets of $13,056,000. At the time of the combination, Crawford had 101 employees.

On March 31, 2000, the Company acquired substantially all of the assets of the Government Services division of 3GI for $7,000,000, plus an earn-out amount of up to $3,000,000 to be paid by the Company upon the achievement of certain objectives. The division of 3GI acquired by MAXIMUS is based in Springfield, Virginia and provides integration services of smart card systems for the public and commercial sectors. In connection with the purchase, the Company recorded intangible assets of $6,708,000. At the time of the acquisition, the Government Services division of 3GI had 90 employees.

RESULTS OF OPERATIONS

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

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31,		SIX MONTHS ENDED MARCH 31,	
	1999	2000	1999	2000
<S>	<C>	<C>	<C>	<C>
Revenues:				
Government Operations Group	55.8%	57.8%	54.7%	57.4%
Consulting Group	44.2	42.2	45.3	42.6
Total revenues	100.0	100.0	100.0	100.0
Gross Profit:				
Government Operations Group	20.5	22.9	18.9	22.3
Consulting Group	43.5	42.8	41.8	42.8
Total gross profit as a percent of revenue	30.7	31.3	29.3	31.0
Selling, general and administrative expenses	16.8	16.3	16.7	16.8
Amortization of goodwill and other acquisition related intangibles	0.1	0.4	0.1	0.4
Income from operations	13.8	14.5	13.0	13.9
Interest and other income	1.1	1.2	0.9	1.2
Income before income taxes	14.9	15.7	13.9	15.1
Provision for income taxes	6.2	6.5	5.6	6.2
Net income	8.7	9.2	8.3	8.9

</TABLE>

THREE MONTHS ENDED MARCH 31, 2000 COMPARED TO THREE MONTHS ENDED MARCH 31, 1999

REVENUES. Total contract revenues increased 22.6% to $93.5 million for the three months ended March 31, 2000 from $76.3 million for the same period in 1999. Government Operations Group revenues increased 27.0% to $54.0 million for the three months ended March 31, 2000 from $42.5 million for the same period in 1999. This increase was due primarily to $1.3 million of revenue from CHDR, which was acquired on September 30, 1999 and an increase in the number of contracts in three of the four divisions in the Government Operations Group. Consulting Group revenues increased 17.0% to $39.5 million for the three months ended March 31, 2000 from $33.8 million for the same period in 1999. Approximately $3.4 million of the $5.7 million increase in the Consulting Group revenues were revenues from Roberts, Unison, PSI and Crawford, which companies were acquired subsequent to the quarter ended March 31, 1999. The remainder of the increased revenues was the result of an increase in the number of contracts in the Consulting Group.

GROSS PROFIT. Total gross profit increased 25.0% to $29.3 million for the three months ended March 31, 2000 from $23.4 million for the same period in 1999. Government Operations Group gross profit increased 41.5% to $12.4 million for the three months ended March 31, 2000 from $8.7 million for the three months ended March 31, 1999. As a percentage of Government Operations Group revenues, Government Operations Group gross profit increased to 22.9% for the three months ended March 31, 2000 from 20.5% for the same period in 1999. The increase was due primarily to improved margins on certain projects in two of the four divisions of the Government Operations Group. That increase was offset by the incurrence of costs related to two contracts with the City of New York for which no revenue was recognized due to disputes regarding the registration of the contracts (See "Legal Proceedings.") The Consulting Group gross profit increased 15.2% to $16.9 million for the three months ended March 31, 2000 from $14.7 million for the same period in 1999 due to the increased revenues offset by a decreased gross profit percentage. As a percentage of Consulting Group revenues, Consulting Group gross profit decreased to 42.8% for the three months ended March 31, 2000 from 43.5% for the same period in 1999, due primarily to slightly reduced margins on a few projects within the Group.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Total selling, general and administrative ("SG&A") expenses increased 19.5% to $15.3 million for the three months ended March 31, 2000 from $12.8 million for the same period in 1999. SG&A expenses were reduced in the quarter ended March 31, 2000 by the receipt of $819,000 from the settlement of a legal action settlement and were increased by the funding of $150,000 towards a charitable foundation established by the Company. Excluding those two items, SG&A expenses would have been $16.0 million, which is an increase of 24.8% over the same period in 1999. The increase in SG&A expenses was due to the increased size of the Company in terms of revenue growth and the increase in the number of employees to 3,797 at March 31, 2000 from 3,025 at March 31, 1999. As a percentage of revenues, SG&A expenses decreased to 16.3% for the three months ended March 31, 2000 from 16.8% for the same period in 1999, primarily due to the receipt of the settlement of a legal action, offset by an increase in the number of personnel and capability of the Government & Investor Relations unit and the Information Services unit.

AMORTIZATION OF GOODWILL AND OTHER ACQUISITION-RELATED INTANGIBLES. In the quarter ended March 31, 2000, the Company incurred $0.4 million of amortization expense related to the $33.4 million of goodwill and other acquisition-related intangible assets it recorded in connection with the acquisitions of Roberts, Unison, CHDR, PSI, Crawford and 3GI.

INTEREST AND OTHER INCOME. The increase in interest and other income to $1.1 million for the three months ended March 31, 2000 as compared to $0.9 million for the same period in 1999 was due to an increase in the average interest rates earned on invested funds.

PROVISION FOR INCOME TAXES. The provision for income tax for the three months ended March 31, 2000 was 41.7% of income before income taxes as compared to 41.3% for the three months ended March 31, 1999. The difference in percentages was due to differences in the amounts of certain expense items which are not deductible for tax purposes.

SIX MONTHS ENDED MARCH 31, 2000 COMPARED TO SIX MONTHS ENDED MARCH 31, 1999

REVENUES. Total contract revenues increased 23.2% to $183.2 million for the six months ended March 31, 2000 from $148.6 million for the same period in 1999. Government Operations Group revenues increased 29.3% to $105.2 million for the six months ended March 31, 2000 from $81.4 million for the same period in 1999. This increase was due primarily to $2.6 million of revenue from CHDR, which was acquired on September 30, 1999 and an increase in the number of contracts in three of the four divisions in the Government Operations Group. Consulting Group revenues increased 15.9% to $78.0 million for the six months ended March 31, 2000 from $67.3 million for the same period in 1999. Approximately $6.1 million of the $10.7 million increase in the Consulting Group revenues were revenues from Roberts, Unison, PSI and Crawford, which companies were acquired subsequent to the quarter ended March 31, 1999. The remainder of the increased revenues was the result of an increase in the number of contracts in the Consulting Group.

GROSS PROFIT. Total gross profit increased 30.7% to $56.9 million for the six months ended March 31, 2000 from $43.5 million for the same period in 1999. Government Operations Group gross profit increased 52.6% to $23.5 million for the six months ended March 31, 2000 from $15.4 million for the six months ended March 31, 1999. As a percentage of Government Operations Group revenues, Government Operations Group gross profit increased to 22.3% for the six months ended March 31, 2000 from 18.9% for the same period in 1999. The increase was due to improved margins in three of the four divisions of the Government Operations Group. That increase was offset by the incurrence of costs related to two contracts with the City of New York for which no revenue was recognized due to disputes regarding the registration of the contracts (See "Legal Proceedings.") The Consulting Group gross profit increased 18.6% to $33.3 million for the six months ended March 31, 2000 from $28.1 million for the same period in 1999 due to the increased revenues and an increased gross profit percentage. As a percentage of Consulting Group revenues, Consulting Group gross profit increased to 42.8% for the six months ended March 31, 2000 from 41.8% for the same period in 1999, due primarily to improved margins within the CSI and PSI divisions of the Group in the first quarter of fiscal year 2000, offset by slightly reduced margins on a few projects within the Group in the second quarter of fiscal year 2000.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Total selling, general and administrative ("SG&A") expenses increased 27.7% to $30.7 million for the six months ended March 31, 2000 from $24.0 million for the same period in 1999. The increase in SG&A expenses was due to the increased size of the Company in terms of revenue growth and the increase in the number of employees to 3,797 at March 31, 2000 from 3,025 at March 31, 1999. As a percentage of revenues, SG&A expenses increased to 16.8% for the six months ended March 31, 2000 from 16.2% for the same period in 1999, primarily due to the increase in the number of personnel and capability of the Government & Investor Relations unit and the Information Services unit, offset by the receipt of $819,000 from the settlement of a legal action in the second quarter of fiscal year 2000.

AMORTIZATION OF GOODWILL AND OTHER ACQUISITION-RELATED INTANGIBLES. In the six months ended March 31, 2000, the Company incurred $0.6 million of amortization expense related to the $33.4 million of goodwill and other acquisition-related intangible assets it recorded in connection with the acquisitions of Roberts, Unison, CHDR, PSI, Crawford and 3GI.

INTEREST AND OTHER INCOME. The increase in interest and other income to $2.1 million for the six months ended March 31, 2000 as compared to $1.3 million for the same period in 1999 was due to an increase in the average interest rates earned on invested funds and to an increase in the amount of average invested funds. The increase in invested funds was due largely to the receipt of proceeds of $61.0 million from the secondary public stock offering completed in December 1998.

PROVISION FOR INCOME TAXES. The provision for income tax for the six months ended March 31, 2000 was 41.3% of income before income taxes as compared to 40.5% for the six months ended March 31, 1999. The difference in percentages was due to differences in the amounts of certain expense items which are not deductible for tax purposes.

LIQUIDITY AND CAPITAL RESOURCES

For the six months ended March 31, 2000, cash used in operations was $3.9 million as compared to cash provided by operations of $10.6 million for the six months ended March 31, 1999. The primary reasons for the usage of cash in the six months ended March 31, 2000 were an increase in accounts receivable and costs and estimated earnings in excess of billings of $9.4 million, a decrease in billings in excess of costs and estimated earnings of $5.1 million, a decrease in accrued compensation and benefits of $3.3 million, and a decrease in income taxes payable of $2.9 million. The increase in accounts receivable and costs and estimated earnings in excess of billings was due principally to the increase in revenue to $93.5 million for the three months ended March 31, 2000 from $86.7 million for the three months ended September 30, 1999. The decrease in billings in excess of costs and estimated earnings of $5.1 million was the result of differences between the timing of the proper recognition of revenue and the ability to invoice customers. The decrease in accrued compensation and benefits of $3.3 million is the result of the October 1999 payment of fiscal 1999 annual incentive compensation to employees in the aggregate amount of $7.0 million. As compared to the six months ended March 31, 2000, accounts receivable and costs and estimated earnings in excess of billings used cash of $2.0 million, billings in excess of costs and estimated earnings increased $0.7 million, accrued compensation and benefits decreased $2.4 million, and income taxes payable remained virtually unchanged in the six months ended March 31, 1999.

For the six months ended March 31, 2000, cash used in investing activities was $13.1 million as compared to $65.7 million for the six months ended March 31, 1999. During the six months ended March 31, 2000, the Company generated cash from sales of marketable securities totaling $10.7 million, and used $21.9 million in cash for the purchase of PSI and Crawford and $1.5 million in cash for the purchase of property and equipment. Cash used in investing activities for the six months ended March 31, 1999 primarily consisted of the purchase of marketable securities totaling $54.1 million with the proceeds from the secondary offering, which occurred in December 1998, and the purchase of property and equipment totaling $9.0 million.

Cash provided by financing activities during the six months ended March 31, 2000 was $1.5 million, which consisted primarily of sales of stock to employees through the Company's employee stock purchase plan and equity incentive plan. During the six months ended March 31, 1999, cash provided by financing activities consisted primarily of the proceeds of $61.0 million from the secondary stock offering.

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

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 completed or future 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 to this Quarterly Report on Form 10-Q for the period ended March 31, 2000.

ITEM 3. 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.

PART II. OTHER INFORMATION.

ITEM 1. LEGAL PROCEEDINGS

On May 12, 1998, the Company acquired David M. Griffith & Associates, Ltd. ("DMG"), which was subsequently merged into DMG-MAXIMUS, Inc. ("DMG-MAXIMUS"), a wholly-owned subsidiary of MAXIMUS. A consolidated legal action was brought against DMG-MAXIMUS and thirteen other named defendants in the U.S. District Court for the District of Arizona by Superstition Mountains Community Facilities District No. 1 (the "District") and Allstate Insurance Company ("Allstate"), alleging that DMG made false and misleading representations in the reports DMG prepared as a consultant to underwriters of revenue bonds issued by the District and purchased by Allstate. On May 12, 2000, DMG-MAXIMUS agreed to a confidential settlement agreement with the District and Allstate. The settlement amount to be paid by DMG-MAXIMUS is not material and will not have an adverse effect on the Company's financial condition or results of operations.

In January 2000, the New York City Human Resources Administration ("HRA") submitted two contracts that it had awarded to the Company for welfare-to-work services to the Comptroller of New York City (the "Comptroller") to be registered. Under New York law, the contracts must be registered in order for the Company to receive payment. However, the Comptroller refused to register the contracts citing improprieties in the procurement process and in the Company's conduct. The Mayor of the City of New York (the "Mayor") and HRA disagreed with the Comptroller's assertions and, in March 2000, sued the Comptroller in the Supreme Court of the State of New York - New York County (the "Court"), seeking to require the Comptroller to register the contracts. On April 13, 2000, the Court issued a decision and judgment holding that the Comptroller has a mandatory duty to register the contracts. However, as a matter of judicial discretion, the Court refused to require registration, finding that the Comptroller had established that the procurement process had been corrupted. This decision has been appealed by the Mayor and HRA to the New York Supreme Court Appellate Division - First Department (the "Appellate Division"). On April 24, 2000, the Company filed a motion in the Appellate Division to intervene in the lawsuit. The Company is asking for the Court's decision to be set aside on the grounds that it contained findings of fact against the Company not supported by the record and that the Court failed to afford the Company with its constitutional rights to notice of a hearing and an opportunity to be heard. The Appellate Division has agreed to hear the appeal on an expedited basis. A hearing is currently scheduled for June 2000. This matter is also the subject of investigations being conducted by certain governmental agencies. Specifically, the District Attorney's Office of New York County and the United States Attorney's Office for the Southern District of New York, in response to requests made by the Comptroller, have announced that they are investigating the facts underlying this matter. Both offices issued subpoenas for documents to the Company in early May 2000. The Company believes the Comptroller's claims are without merit and intends to defend against his allegations vigorously. MAXIMUS believes that its actions were lawful and appropriate and plans to cooperate fully with the governmental investigations of the matter. However, no assurance can be made that the contracts will ultimately be registered or that the investigations will not result in civil or criminal penalties or administrative sanctions against the Company.

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

At the Annual Meeting of Shareholders held on February 23, 2000, the Company's shareholders voted as follows:

(a) To reelect Messrs. Lynn P. Davenport, Thomas A. Grissen, David V. Mastran and Raymond B. Ruddy to the Board of Directors, each for a three-year term.

NOMINEE	TOTAL VOTE "FOR".	TOTAL VOTE WITHHELD
Lynn P. Davenport	19,275,655	130,461
Thomas A. Grissen	19,275,655	130,561
David V. Mastran	19,275,655	130,461
Raymond B. Ruddy	19,275,655	130,461

The terms in office of Russell A. Beliveau, Jesse Brown, Margaret Carrera, George C. Casey, Louis E. Chappuie, Stephen Goldsmith and Peter B. Pond continued after the meeting.

(b) To approve an amendment to the Company's Amended and Restated Articles of Incorporation to increase the number of authorized shares of the Company's Common Stock from 30,000,000 to 60,000,000 shares.

Total Vote For the Proposal	18,914,305
Total Vote Against the Proposal	467,394
Abstentions	24,412

(c) To ratify the selection by the Board of Directors of Ernst & Young LLP as the Company's independent public accountants for the fiscal year ending September 30, 2000.

Total Vote For the Proposal	19,389,616
Total Vote Against the Proposal	3,300
Abstentions	13,200

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

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

(b) Reports on Form 8-K. No Current Reports on Form 8-K were filed by the Company during the fiscal quarter ended March 31, 2000.

SIGNATURES

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

MAXIMUS, INC.

Date: May 15, 2000 By: /s/ F. ARTHUR NERRET

F. Arthur Nerret

Vice President, Finance,
Chief Financial Officer
(Principal Financial
Officer and Principal
Accounting Officer)

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
27	Financial Data Schedules (EDGAR only)
99	Important Factors Regarding Forward Looking Statements. Filed herewith.

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EXHIBIT 99

IMPORTANT FACTORS REGARDING FORWARD LOOKING STATEMENTS

IN THIS EXHIBIT 99, "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. Added demands on our resources could adversely affect our business.

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. We cannot be certain that we will be successful in managing our relationships with government entities and agencies, and any failure to do so may adversely affect our business.

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 depends 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 ten consulting firms and have acquired substantially all of the assets of a division of another firm. We are still in the process of integrating the operations of several of these firms. 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 can be terminated 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

COMPETITION FROM OTHER ORGANIZATIONS. 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.

RISKS ASSOCIATED WITH PROCEEDINGS INVOLVING NEW YORK CONTRACTS

In January 2000, the New York City Human Resources Administration ("HRA") submitted two contracts that it had awarded to MAXIMUS for the performance of welfare-to-work services to the Comptroller of New York City to be registered. Under New York law, the contracts must be registered in order for us to receive payment. However, the Comptroller refused to register contracts alleging improprieties in the procurement process and in MAXIMUS's conduct. The Mayor of the City of New York and HRA vehemently disagreed with the Comptroller's assertions and, in March 2000, sued the Comptroller in the Supreme Court of the State of New York - New York County (the "Court"), seeking to require the Comptroller to register the contracts. On April 13, 2000, the Court issued a decision and judgment holding that the Comptroller has a mandatory duty to register the contracts. However, as a matter of judicial discretion, the Court refused to require registration, finding that the Comptroller had established that the contract procurement process had been corrupted. This decision has been appealed by the Mayor and HRA to the New York Supreme Court Appellate Division - First Department. On April 24, 2000, we filed a motion in the Appellate Division to intervene in the lawsuit. We are asking for the Court's decision to be set aside on the grounds that it contained findings of fact against MAXIMUS not supported by the record and that the Court failed to afford us with our constitutional rights to notice of a hearing and an opportunity to be heard. The Appellate Division has agreed to hear the appeal on an expedited basis. A hearing is currently scheduled for June 2000. We believe that the Comptroller's claims are without merit and intend to defend against his allegations vigorously. However, we cannot provide assurance that the contracts will ultimately be registered by the Comptroller.

This matter is also the subject of investigations being conducted by certain governmental agencies. Specifically, the District Attorney's Office of New York County and the United States Attorney's Office for the Southern District of New York, in response to requests made by the Comptroller, have announced that they are investigating the facts underlying this matter. Both offices issued subpoenas to us in early May 2000. We believe that our actions were lawful and appropriate and plan to cooperate fully with the governmental investigations of the matter. Although there can be no assurance of a favorable outcome, we do not believe that these investigations will have a material adverse effect on our financial condition or results of operations. However, if we are found to have engaged in illegal or improper activities, we could be subject to civil and criminal penalties and administrative sanctions, which could adversely affect our business.

LITIGATION

On May 12, 1998, we acquired David M. Griffith & Associates, Ltd. ("DMG"), which was subsequently merged into DMG-MAXIMUS, Inc. ("DMG_MAXIMUS"), a wholly-owned subsidiary of MAXIMUS. A consolidated legal action was brought against DMG-MAXIMUS and thirteen other named defendants in the U.S. District Court for the District of Arizona by Superstition Mountains Community Facilities District No. 1 (the "District") and Allstate Insurance Company ("Allstate"), alleging that DMG made false and misleading representations in the reports DMG prepared as a consultant to underwriters of revenue bonds issued by the District and purchased by Allstate. On May 12, 2000, DMG-MAXIMUS agreed to a confidential settlement agreement with the District and Allstate. The settlement amount to be paid by DMG-MAXIMUS is not material and will not have an adverse effect on the Company's financial condition or results of operations.

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 this action vigorously. We do not believe these claims 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. On November 28, 1997, an individual who was a former officer, director and shareholder of MAXIMUS 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, we had failed to disclose to him material information relating to the potential value of the shares. He further alleges that we violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and breached various fiduciary duties owed to him. The officer has also named certain of our officers and directors in this lawsuit and brought the same claims against them. The officer claims damages in excess of $10 million. This matter is currently scheduled for trial on September 11, 2000. 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.

ADVERSE PUBLICITY

The nature of our contracts with state and local government authorities frequently generates media attention. For example, the circumstances surrounding the refusal of the Comptroller of New York City to register two welfare-to-work contracts awarded to us has recently received a good amount of media coverage in the New York area. Additionally, 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.

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 40% 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 March 31, 2000, the closing sale price has ranged from a high of $41.50 per share to a low of $17.00 per share. Even though the market price of our stock has not been highly volatile during this time, the market price of our common stock could 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.

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.