

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1997

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
(State or other jurisdiction of
incorporation or organization)

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

1356 BEVERLY ROAD
MCLEAN, VIRGINIA
(Address of principal executive offices)

22101
(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 No

<TABLE>
<CAPTION>

Class	Outstanding at August 8, 1997
-----	-----
<S> Common Shares, No Par Value	<C> 14,790,470

</TABLE>

MAXIMUS, INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 1997

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 MAXIMUS, INC.
 BALANCE SHEETS
 (DOLLARS IN THOUSANDS)

<TABLE>
 <CAPTION>

	SEPTEMBER 30, 1996	JUNE 30, 1997
	-----	-----
<S>	<C>	(Unaudited) <C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$2,326	\$6,649
Short-term investments	1,007	40,812
Accounts receivable, net	25,352	31,351
Costs and estimated earnings in excess of billings	2,949	5,721
Prepaid expenses and other current assets	605	1,130
Deferred income taxes	-	1,809
	-----	-----
Total current assets	32,239	87,472
Property and equipment at cost:		
Land	662	662
Building and improvements	1,676	1,721
Office furniture and equipment	1,206	1,432
Leasehold improvements	188	188
	-----	-----
Less: Accumulated depreciation and amortization	(1,096)	(1,306)
	-----	-----
Total property and equipment, net	2,636	2,697
Other assets	618	682
	-----	-----
Total assets	\$35,493	\$90,851
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$2,043	\$2,369
Accrued compensation and benefits	1,912	4,564
Billings in excess of costs and estimated earnings	5,208	11,034
Note payable	-	388
Income taxes payable	19	990
Deferred income taxes	357	-
	-----	-----
Total current liabilities	9,539	19,345
Deferred income taxes	-	2,349
Contingencies (Note 3)		
Redeemable common stock:		
No par value; 30,000,000 shares authorized; 11,453,145 shares issued and outstanding at June 30, 1996, at redemption amount	16,757	-
Shareholders' equity:		
Common stock, no par value; 30,000,000 shares authorized; 14,787,445 shares issued and outstanding at June 30, 1997, at stated amount	-	72,472
Retained earnings (deficit)	9,197	(3,315)
	-----	-----
Total shareholders' equity	9,197	69,157
	-----	-----
Total liabilities and shareholders' equity	\$35,493	\$90,851
	=====	=====

</TABLE>

See notes to financial statements.

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

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Nine Months Ended June 30,	
	1996	1997	1996	1997
<S>	<C>	<C>	<C>	<C>
Revenues	\$27,898	\$27,315	\$67,484	\$96,077
Cost of revenues	21,577	18,561	50,566	71,418
Gross profit	6,321	8,754	16,918	24,659
Selling, general and administrative expenses	3,343	4,298	9,229	12,309
Stock option compensation expense (Note 2)	--	5,724	--	5,874
Income (loss) from operations	2,978	(1,268)	7,689	6,476
Interest and other income	63	185	162	333
Income (loss) before income taxes	3,041	(1,083)	7,851	6,809
Provision for income taxes	60	1,011	154	1,161
Net income (loss)	\$2,981	(\$2,094)	\$7,697	\$5,648
Pro forma data:				
Historical income (loss) before income taxes	\$3,041	(\$1,083)	\$7,851	\$6,809
Pro forma income tax expense (benefit)	1,216	(433)	3,140	2,724
Pro forma net income (loss)	\$1,825	(\$650)	\$4,711	\$4,085
Pro forma net income (loss) per share	\$0.15	(\$0.05)	\$0.39	\$0.33
Shares used in computing pro forma net income (loss) per share	12,226	12,611	12,116	12,241

</TABLE>

See notes to financial statements.

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

<TABLE>
<CAPTION>

	NINE MONTHS ENDED JUNE 30,	
	1996	1997
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$7,697	\$5,648
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	180	210
Stock option compensation expense	-	5,874
Change in assets and liabilities:		
Accounts receivable, net	(8,134)	(5,999)
Costs and estimated earnings in excess of billings	(987)	(2,772)
Prepaid expenses and other current assets	(326)	(609)
Other assets	(135)	(64)

Accounts payable	1,497	326
Accrued compensation and benefits	2,651	2,652
Billings in excess of costs and estimated earnings	2,852	5,826
Income taxes payable	23	971
Deferred income taxes	90	183
	-----	-----
Net cash provided by operating activities	5,408	12,246
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(167)	(271)
Purchase of short-term investments	(1,000)	(39,721)
	-----	-----
Net cash used in investing activities	(1,167)	(39,992)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock in initial public offering	-	53,943
S Corporation distributions	(1,821)	(21,636)
Redeemable common stock issued	228	-
Payment of note for purchase of redeemable common stock	-	(238)
	-----	-----
Net cash provided by (used in) financing activities	(1,593)	32,069
	-----	-----
Net increase in cash and cash equivalents	2,648	4,323
Cash and cash equivalents, beginning of period	2,502	2,326
	-----	-----
Cash and cash equivalents, end of period	\$5,150	\$6,649
	=====	=====

</TABLE>

See notes to financial statements.

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MAXIMUS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED JUNE 30, 1997 AND 1996
(DOLLARS IN THOUSANDS)

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, except as described below) considered necessary for a fair presentation have been included. The results of operations for the three and nine month periods ended June 30, 1997 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, 1995 and 1996 and for each of the three years in the period ended September 30, 1996, included in the Company's registration statement on Form S-1 (No. 333-21611), as filed with the Securities and Exchange Commission.

2. INITIAL PUBLIC OFFERING

The Company completed an initial public offering (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 shares were sold by MAXIMUS, Inc. generating \$53,943 in proceeds to the Company, net of offering expenses.

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. Upon completion of the IPO, the Company recorded a non-recurring charge against income of \$5,724 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.

The Company made cash distributions to shareholders in the period prior to the IPO totaling \$1,136. In addition, the Company made a distribution of \$20,500 (the S Corporation Dividend) upon closing the IPO. The S Corporation Dividend was for a preliminary amount that is not expected to exceed the undistributed earnings of the Company taxed or taxable to the shareholders through the date of the IPO. The actual amount of such undistributed earnings will not be determinable until the Company's taxable income for the full fiscal year ending September 30, 1997 is determined.

The Company's obligation to purchase common shares from shareholders terminated upon completion of the IPO. Accordingly, amounts classified previously as redeemable common stock were reclassified into

shareholders'equity in the June 30, 1997 balance sheet.

See also note 5.

3. CONTINGENCIES

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 alleges that the Company is liable to Network Six on various grounds. The Company believes Network Six's claims are without merit and intends to vigorously defend this action. The Company believes this action will not have a material adverse effect on its financial condition or results of operations and has not accrued for any loss related to this claim.

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 disposed of unfavorably.

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4. REVENUES FROM SIGNIFICANT CONTRACT

Government Operations Group revenues for the nine months ended June 30, 1997 and 1996 include \$31,612 and \$35,222 respectively, from a significant contract with the U.S. Government Social Security Administration which was terminated pursuant to legislative action. Revenues under this contract were \$19 and \$17,170 for the three months ended June 30, 1997 and 1996, respectively.

5. INCOME TAX PROVISION AND PRO FORMA FINANCIAL DATA

The Company's income tax provision for the three month and nine month periods ended June 30, 1996 and 1997 consisted of the following:

Months	Three Months		Nine
June 30,	Ended June 30,		Ended
-----	-----	-----	-----
1997	1996	1997	1996
-----	-----	-----	-----
<S>	<C>	<C>	<C>
<C>			
State income taxes.....	\$60	\$81	\$154
\$231			
Federal taxes payable - current.....	-	419	-
419			
Cumulative deferred income taxes recognized.....	-	2,566	-
2,566			
Deferred tax benefit related to stock option compensation			
expense.....	-	(2,055)	-
(2,055)			
-----	-----	-----	-----
\$1,161	\$60	\$1,011	\$154
=====	=====	=====	=====

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. Upon completion of the IPO, the Company's S Corporation status terminated for federal and state taxation purposes, and 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.

Pro forma net income and pro forma net income per share are presented as if the Company had been taxed as a C corporation for the periods presented. The pro forma tax provision (benefit) has been calculated assuming a 40% combined effective tax rate.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

MAXIMUS provides program management and consulting services to government health and human services 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 health and human services planning, information technology consulting, strategic program evaluation, program improvement, communications planning and revenue maximization services.

In October 1996, President Clinton signed into law an amendment to the Social Security Act of 1935, effective January 1, 1997, that eliminated Social Security Income and Supplemental Security Disability Insurance benefits based solely on drug and alcohol disabilities. As a result of this legislative act, the Social Security Administration terminated a significant contract with the Company (the "SSA Contract") effective at the end of February 1997. All services to be provided to the Social Security Administration were completed in the quarter ended March 31, 1997. The SSA Contract contributed \$31.6 million and \$35.2 million to the Company's revenues in the nine months ended June 30, 1997 and June 30, 1996.

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The Company recognized two significant charges against income during the quarter ended June 30, 1997. The completion of the offering resulted in the termination of the Company's S corporation status. As a result, the Company recorded a one-time income statement charge to operations of \$2.6 million to recognize the cumulative deferred tax liabilities as of June 12, 1997. In connection with the offering, 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 equal to the difference between the initial public offering price of \$16.00 per share and the option exercise price for all outstanding options. Compensation expense totaling \$150,000 had been recognized through March 31, 1997, and upon completion of the offering, the Company recognized an additional charge against income of \$5.7 million. The Company recorded a deferred tax benefit relating to the charge in the amount of \$2.1 million. The option exercise price is based on the book value of the Common Stock at September 30, 1996, and was established pursuant to pre-existing compensation arrangements with these employees.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 1997 COMPARED TO THREE MONTHS ENDED JUNE 30, 1996

Revenues. Total contract revenues decreased 2.1% to \$27.3 million for the three months ended June 30, 1997 as compared to \$27.9 million for the same period in 1996. Government Operations Group revenues decreased 13.1% to \$19.2 million for the three months ended June 30, 1997 from \$22.1 million for the same period in 1996 due to the termination of the SSA Contract in February 1997. For the three months ended June 30, 1997, revenues from the SSA Contract were \$19,000 as compared to \$17.2 million for the same period in 1996. Excluding the SSA Contract, Government Operations Group revenues increased 291.3% to \$19.2 million in the three months ended June 30, 1997 from \$4.9 million for the same period in 1996. Consulting Group revenues increased 39.5% to \$8.1 million for the three months ended June 30, 1997 from \$5.8 million for the same period in 1996 due to an increase in the number of contracts.

Gross Profit. Gross profit consists of total revenues less cost of revenues. Total gross profit increased 38.5% to \$8.8 million for the three months ended June 30, 1997 as compared to \$6.3 million for the same period in 1996. Government Operations Group gross profit increased 35.4% to \$4.7 million

for the three months ended June 30, 1997 from \$3.4 million for the three months ended June 30, 1996. As a percentage of revenues, Government Operations Group gross profit increased to 25.9% in the three months ended June 30, 1997 from 15.5% in the same period in 1996, primarily due to the decreased revenue contribution of the SSA Contract in the June 1997 quarter, which had a lower gross profit margin than other contracts in the Group, and to favorable profit recognition adjustments on two large projects. Consulting Group gross profit increased 42.1% to \$4.1 million for the three months ended June 30, 1997 from \$2.9 million for the same period in 1996 due principally to the increased revenues. As a percentage of revenues, Consulting Group gross profit increased to 50.5% for the three months ended June 30, 1997 from 49.6% for the same period in 1996.

Selling, General and Administrative Expenses. Total selling, general and administrative expenses increased 28.6% to \$4.3 million for the three months ended June 30, 1997 as compared to \$3.3 million in the same period in 1996. This increase in costs was due to increases in both professional and administrative personnel necessary

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to support the Company's growth and marketing and proposal preparation expenditures to pursue further growth. As a percentage of revenues, selling, general and administrative expenses increased to 15.7% for the three months ended June 30, 1997 from 12.0% for the same period in 1996.

Stock Option Compensation Expense. In January 1997, the Company issued options to certain employees to acquire 403,975 shares of the Company's Common Stock at a formula price based upon book value. Upon completion of the initial public offering in June 1997, the Company recorded a non-recurring compensation charge against income for the difference between the IPO price and the formula price. Compensation expense totaling \$150,000 had been recognized through March 31, 1997, and upon completion of the offering, the Company recorded an additional charge against income of \$5.7 million.

Provision For Income Taxes. Prior to the IPO, the Company and its stockholders 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 during 1996 and the period to June 12, 1997. Upon completion of the IPO, the Company's S Corporation status was terminated and the Company became subject to federal and state corporate income taxes.

The Company's income tax provision for the three months ended June 30, 1997 was \$1.1 million as compared to \$60,000 for the three months ended June 30, 1996. The provision for income taxes for the three months ended June 30, 1996 consisted of state income taxes payable. The provision for income taxes for the three months ended June 30, 1997 consisted of state income taxes payable in the amount of \$154,000, a non-recurring deferred tax charge against income 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, current federal taxes owing of \$419,000 and a non-recurring deferred tax benefit related to the stock option compensation charge amounting to \$2.1 million.

NINE MONTHS ENDED JUNE 30, 1997 COMPARED TO NINE MONTHS ENDED JUNE 30, 1996

Revenues. Total contract revenues increased 42.4% to \$96.1 million for the nine months ended June 30, 1997 as compared to \$67.5 million for the same period in 1996. Government Operations Group revenues increased 51.2% to \$74.4 million for the nine months ended June 30, 1997 from \$49.2 million for the same period in 1996 due to an increase in the number of projects, offset by a decrease in revenues from the SSA Contract from \$35.2 million for the nine months ended June 30, 1996 to \$31.6 million for the same period in 1997. Excluding the SSA Contract, Government Operations Group revenues increased 206.5% to \$42.7 million in the nine months ended June 30, 1997 from \$13.9 million for the same period in 1996. Consulting Group revenues increased 18.6% to \$21.7 million for the nine months ended June 30, 1997 from \$18.3 million for the same period in 1996 due to an increase in the number of contracts.

Gross Profit. Total gross profit increased 45.8% to \$24.7 million for the nine months ended June 30, 1997 as compared to \$16.9 million for the same period in 1996. Government Operations Group gross profit increased 71.2% to \$14.2 million for the nine months ended June 30, 1997 from \$8.3 million for the nine months ended June 30, 1996. As a percentage of revenues, Government Operations Group gross profit increased to 19.1% in the nine months ended June 30, 1997 from 16.9% in the same period in 1996, primarily due to the decreased revenue contribution of the SSA Contract, which had a lower gross profit margin than other contracts in the Group. Consulting Group gross profit increased 21.3% to \$10.5 million for the nine months ended June 30, 1997 from \$8.6 million for the same period in 1996 principally due to higher revenues. As a

percentage of revenues, Consulting Group gross profit increased to 48.2% for the nine months ended June 30, 1997 from 47.1% for the same period in 1996.

Selling, General and Administrative Expenses. Total selling, general and administrative expenses increased 33.4% to \$12.3 million for the nine months ended June 30, 1997 as compared to \$9.2 million for the same period in 1996. The increase was due to increased professional and administrative personnel necessary to support the Company's growth and marketing and proposal preparation expenditures to pursue further growth. As a percentage of revenues, selling, general and administrative expenses decreased to 12.8% for the nine months ended June 30, 1997 from 13.6% for the same period in 1996 as the Company was able to support its revenue growth without a proportionate increase in associated costs.

Stock Option Compensation Expense. In January 1997, the Company issued options to certain employees to acquire 403,975 shares of the Company's Common Stock at a formula price based upon book value. Upon completion of the initial public offering in June 1997, the Company recorded a

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non-recurring compensation charge against income for the difference between the IPO price and the formula price. Compensation expense totaling \$5.9 million was recognized in the nine months ended June 30, 1997.

Provision for income taxes. The Company's income tax provision for the nine months ended June 30, 1997 was \$1.2 million as compared to \$154,000 for the nine months ended June 30, 1996. The increase is directly related to events occurring during the three months ended June 30, 1997, as discussed above.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary source of liquidity is cash flows from operations. The Company's cash flow from operations for the nine months ended June 30, 1997 was \$12.2 million as compared to \$5.4 million for the nine months ended June 30, 1996. The increased cash from operations was the result of higher net income earned during the period, after adjusting for the \$5.9 million non-cash stock compensation charge related to the IPO. Increases in accounts receivable of \$6.0 million were largely offset by increases in accounts payable, compensation liabilities, and income taxes payable. Accounts receivable totaled \$31.4 million at June 30, 1997, an increase of \$6.0 million from September 30, 1996, the end of fiscal 1996. This increase is due to the submission of large value invoices in May and June combined with slow payment from a few large customers. The timing of receipt of contract payments can vary and, combined with the requirement to provide start-up funding for new projects, cause cash flows to fluctuate from period to period.

Of the \$40.0 million of cash flows used for investing activities for the nine months ended June 30, 1997, \$39.7 million was used to purchase investment grade interest-bearing securities, which can be readily converted to cash if needed. The Company has no material commitments for capital expenditures.

Cash flows from financing activities were \$32.1 million in the nine months ended June 30, 1997. The Company received net proceeds of \$53.9 million from the sale of stock in the initial public offering, net of underwriters fees and other IPO expenses. The Company made S corporation distributions totaling \$21.6 million, of which \$20.5 million was paid in June 1997 following the closing of the initial public offering. The distributions to shareholders were based upon the income previously taxed to the S corporation shareholders and the estimated fiscal 1997 income taxable to the S corporation shareholders. The actual amount of such undistributed earnings will not be determinable until the Company's taxable income for the full fiscal year ended September 30, 1997 is determined.

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 depend on the Company's profitability, its ability to manage working capital requirements and its rate of growth.

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FORWARD LOOKING STATEMENTS

Statements that are not historical facts, including statements about the Company's confidence and strategies and the Company's expectations about future

contracts, market opportunities, market demand or acceptance of the Company's products are forward looking statements that involve risks and uncertainties. These uncertainties include reliance on government clients; risks associated with government contracting; risks involved in managing government projects; legislative change and political developments; opposition from government unions; challenges resulting from growth; adverse publicity; and legal, economic and other risks detailed in Exhibit 99 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1997 filed on August 14, 1997.

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Part II. Other Information.

Item 1. Legal Proceedings.

On March 12, 1997, Network Six, Inc. ("Network Six") served MAXIMUS with a First Amended Third-Party Complaint filed in the State of Hawaii Circuit Court of the First Circuit. In this complaint, Network Six named the Company and other parties as third party defendants in an action by the State of Hawaii against Network Six. In 1991, the Company's Consulting Group was engaged by the State of Hawaii to provide assistance in planning for and monitoring the development and implementation by Hawaii of a statewide automated child support system. In 1993, Hawaii contracted with Network Six to provide systems development and implementation services for this project. In 1996 the state terminated the Network Six contract for cause and filed an action against Network Six. Network Six counterclaimed against Hawaii that the state breached its obligations under the contract with Network Six. In the Third Party Complaint, Network Six alleges that the Company is liable to Network Six on grounds that: (i) Network Six was an intended third party beneficiary under the contract between the Company and Hawaii; (ii) the Company engaged in bad faith conduct and tortiously interfered with the contract and relationship between Network Six and Hawaii; (iii) the Company negligently breached duties to Network Six; and (iv) the Company aided and abetted Hawaii in Hawaii's breach of contract. Network Six's complaint seeks damages, including punitive damages, from the third party defendants in an amount to be proven at trial. The Company believes that Network Six was not an intended third party beneficiary under its contract with Hawaii and that Network Six's claims are without factual or legal merit. The Company does not believe this action will have a material adverse effect on the Company's business, and it intends to vigorously defend this action. However, given the early stage of this litigation, no assurance may be given that the Company will be successful in its defense. A decision by the court in Network Six's favor or any other conclusion of this litigation in a manner adverse to the Company could have a material adverse effect on the Company's business, financial condition and results of operations.

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

Item 2. Changes in Securities.

On June 12, 1997, pursuant to the Company's 1997 Equity Incentive Plan, the Company granted to certain employees options to purchase an aggregate of 124,000 shares of Common Stock at an exercise price per share of \$16.00. Each option became exercisable upon the date of grant as to 25% of the shares represented by such option, and will become exercisable as to an additional 25% of such shares on each of the next three anniversaries of the date of grant. Each option will expire upon the earlier of (i) June 12, 2007 or (ii) the termination of the holder's employment with the Company.

No underwriter was engaged in connection with the foregoing issuance of securities. Such issuance was made in reliance upon the exemption for the registration requirements afforded by Section 4(2) of the Securities Act of 1933, as amended, and Rule 701 thereunder as sales of an issuer's securities pursuant to a written compensatory benefit plan and interests in such a plan established by the issuer. The Company has reason to believe that all of the optionees were familiar with or had access to information concerning the operations and financial condition of the Company, and all of those individuals acquired their options for investment and not with a view to the distribution of such options or the underlying shares of Common Stock.

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 reports were filed on Form 8-K during the quarter ended June 30, 1997.

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: August 14, 1997

By: /s/ F. ARTHUR NERRET

F. Arthur Nerret
Vice President, Finance, Chief Financial
Officer (Principal Financial Officer and
Principal Accounting Officer)

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EXHIBIT INDEX

<TABLE>
<CAPTION>
Exhibit No. Description
- ----- -----

<S> 3.1	<C> Amended and Restated Articles of Incorporation of the Company
3.2	Amended and Restated By-laws of the Company
4.1	Specimen Common Stock Certificate
11	Computation of Earnings Per Share
27	Financial Data Schedules (EDGAR)
99	Important Factors Regarding Forward Looking Statements

</TABLE>

AMENDED AND RESTATED
ARTICLES OF INCORPORATION

OF

MAXIMUS, INC.

The undersigned, pursuant to Section 13.1-711 of the Stock Corporation Act under Chapter 9 of Title 13.1 of the Code of Virginia, states as follows:

FIRST: The name of the Corporation is MAXIMUS, Inc.

SECOND: The Corporation is authorized to issue 30,000,000 shares of Common Stock.

The preemptive rights granted by Section 13.1-651 of the Virginia Stock Corporation Act, or any other provision of law, are expressly denied to any Shareholder of this Corporation.

Subject to the provisions of any applicable law or of the by-laws of the Corporation, as from time to time amended, the holders of outstanding shares of Common Stock shall have exclusive voting rights for the election of directors and for all other purposes, each holder of record of shares of Common Stock being entitled to one vote for each share of Common Stock standing in his name on the books of the Corporation.

The holders of Common Stock shall be entitled to receive such dividends from time to time as may be declared by the Board of Directors out of any funds of the Corporation legally available for the payment of such dividends.

In the event of the liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary, the holders of Common Stock shall be entitled to share ratably according to the number of shares of Common stock held by them in all assets of the Corporation available for distribution to its Shareholders.

Subject to the provisions of these Articles of Incorporation and except as otherwise provided by law, the shares of stock of the Corporation, regardless of class, may be issued for such consideration and for such corporate purposes as the Board of Directors may from time to time determine.

THIRD: The rights granted by Section 13.1-728 of the Virginia Stock Corporation Act, or any other provision of law pertaining to Control Share Acquisitions shall not apply to the Corporation.

FOURTH: The Affiliated Transactions Article, also known as Section 13.1-725 et seq. of the Virginia Stock Corporation Act shall not apply to the Corporation.

FIFTH: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Virginia Stock Corporation Act.

SIX: The address of the registered office of the Company in the Commonwealth of Virginia is 1356 Beverly Road, McLean, Virginia in the County of Fairfax. The name of its registered agent at such address is David V. Mastran. Mr. Mastran is a director and resident of the Commonwealth of Virginia.

SEVENTH: The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation:

1. Any vote or votes authorizing liquidation of the Corporation or proceedings for its dissolution may provide, subject to the rights of creditors and the rights expressly provided for particular classes or series of

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stock, for the distribution among the Shareholders of the Corporation of the assets of the Corporation as provided herein, wholly or in part or in kind, whether such assets be in cash or other property, and may authorize the Board of Directors of the Corporation to determine the valuation of the different assets of the Corporation for the purpose of such liquidation and may divide or authorize the Board of Directors to divide such assets or any part thereof among the Shareholders of the Corporation, in such manner that every Shareholder will receive a proportionate amount in value (determined as provided herein) of cash or property of the Corporation upon such liquidation or dissolution even though each Shareholder may not receive a strictly

proportionate part of each such asset.

2. If at any time the Corporation shall have a class of stock registered pursuant to the provisions of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), for so long as such class is registered, the directors shall be divided into three classes, as nearly equal in number as the then total number of directors constituting the entire Board permits, with the term of office of one class expiring each year. The initial Class I directors elected by the Shareholders of the Corporation shall hold office for a term expiring at the first annual meeting of Shareholders after such registration of the Company's Stock; the initial Class II directors elected by the Shareholders of the Corporation shall hold office for a term expiring at the second annual meeting of Shareholders after such registration of the Company's Stock; and the initial Class III directors elected by the Shareholders of the Corporation shall hold office for a term expiring at the third annual meeting of Shareholders after such registration of the Company's Stock. At each such annual meeting of Shareholders and at each annual meeting thereafter, successors to the class of directors whose term expires at that meeting shall be elected for a term expiring at the third annual meeting following their election and until their successors shall be elected and qualified, subject to prior death, resignation, retirement or removal. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, but in no event will a decrease in the number of directors shorten the term of any incumbent director. This Section 2 of Article SEVENTH may not be amended, revised or revoked, in whole or in part, except by the affirmative vote of the holders of 80% of the voting power of the shares of all classes of stock of the Corporation entitled to vote for the election of directors, considered for the purposes of this Article SEVENTH as one class of stock.

3. Each director chosen to fill a vacancy in the Board of Directors shall be elected to complete the term of office of the director who is being succeeded. In the case of any election of a new director to fill a directorship created by an enlargement of the Board, the Board shall in such election assign the class of directors to which such additional director is being elected, and each director so elected shall hold office for the same term as the other members of the class to which the director is assigned.

4. At any special meeting of the Shareholders called at least in part for the purpose, any director or directors may, by the affirmative vote of the holders of at least a majority of the stock entitled to vote for the election of directors, be removed from office for cause. Upon the registration of the Company's Stock under the Exchange Act, and as long as so registered, the provisions of this subsection shall be the exclusive method for the removal of directors. This Section 4 of Article SEVENTH may not be amended, revised or revoked, in whole or in part, except by the affirmative vote of the holders of 80% of the voting power of the shares of all classes of stock of the Corporation entitled to vote for the election of directors, considered for the purposes of this Article SEVENTH as one class of stock.

5. The Corporation shall indemnify (A) its directors and officers, whether serving the Corporation or at its request any other entity, to the full extent required or permitted by the Virginia Stock Corporation Act now or hereafter in force, including the advance of expenses under the procedures and to the full extent permitted by law and (B) other employees and agents to such extent as shall be authorized by the Board of Directors or the Corporation's by-laws and be permitted by law. The foregoing rights of indemnification shall not be exclusive of any other rights to which those seeking indemnification may be entitled. The Board of Directors may take such action as is necessary to carry out these indemnification provisions. No amendment of the charter of the Corporation or repeal of any of its provisions shall limit or eliminate the right to indemnification provided hereunder with respect to acts or omissions occurring prior to such amendment or repeal.

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6. A director of the Corporation shall not be personally liable to the Corporation or its Shareholders for monetary damages for breach of fiduciary duty as a director, to the fullest extent permitted by Section 13.1-692.1(B) of the Virginia Stock Corporation Act or any other provisions of applicable law. If the Virginia Stock Corporation Act is amended after approval by the Shareholders of this Article SEVENTH to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Virginia Stock Corporation Act as so amended from time to time.

Any repeal or modification of this Article SEVENTH shall not increase the personal liability of any director of this Corporation for any act or occurrence taking place before such repeal or modification, nor otherwise adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

8. Meetings of Shareholders may be held anywhere within or without the Commonwealth of Virginia. The books of the Corporation may be kept outside the Commonwealth of Virginia at such place or places as may be designated from time to time by the Board of Directors or in the by-laws of the Corporation.

EIGHTH: If at any time the Corporation shall have a class of stock registered pursuant to the provisions of the Exchange Act, for so long as such class is registered, no action required to be taken or that may be taken at any annual or special meeting of Shareholders of the Corporation may be taken by written consent without a meeting, and the power of Shareholders to consent in writing, without a meeting, to the taking of any action shall be specifically denied.

This Article EIGHTH may not be amended, revised or revoked, in whole or in part, except by the affirmative vote of the holders of 80% of the voting power of the shares of all classes of stock of the Corporation entitled to vote for the election of directors, considered for the purposes of this Article EIGHTH as one class of stock.

NINTH: The Corporation reserves the right to amend, alter, change or repeal any provisions contained in these Amended and Restated Articles of Incorporation in the manner now or hereafter prescribed by statute, and all rights conferred upon Shareholders are granted subject to this reservation.

IN WITNESS WHEREOF, the undersigned certifies that these Amended and Restated Articles of Incorporation were adopted by the unanimous written consent of the Board of Directors dated January 31, 1997 and submitted for approval by the Shareholders of the Corporation in accordance with Chapter 9 of the Code of the Commonwealth of Virginia (the "Meeting"). By unanimous written consent dated February 3, 1997, the Shareholders of the Corporation approved these Amended and Restated Articles of Incorporation. No shares of any other class of stock were outstanding and entitled to vote.

AND, FURTHER, the undersigned has duly executed these Amended and Restated Articles of Incorporation in the name and on behalf of MAXIMUS, Inc. on the 16th day of June, 1997 and the statements contained herein are affirmed as true under penalties of perjury.

/s/ F. Arthur Nerret

F. Arthur Nerret
Vice President, Finance, and
Assistant Secretary

AMENDED AND RESTATED
BY-LAWS
OF
MAXIMUS, INC.

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

ARTICLE I

SHAREHOLDERS

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

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

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

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

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

SECTION 6. Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors at any annual or special meeting of Shareholders. Nominations of persons for election as directors may be made only by or at the direction of the Board of Directors, or by any Shareholder entitled to vote for the election of

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

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

SECTION 7. Advance Notice of Business at Annual Meetings. At any annual meeting of the Shareholders, only such business shall be conducted as shall have been properly brought before the meeting. To be brought properly before an annual meeting, business must be either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the President or the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (C) properly brought before the meeting by a Shareholder. In addition to any other applicable requirements, for business to be brought properly before an annual meeting by a Shareholder, the Shareholder must have given timely notice thereof in writing to the Chairman of the Board, if any, the President or the Secretary. To be timely, a Shareholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 45 days before the meeting; provided, however, that if less than 60 days' notice or prior public disclosure of the date of the meeting is given or made to Shareholders, notice by the Shareholder to be timely must be so received not later than the close of business on the 15th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. A Shareholder's notice shall set forth as to each matter the Shareholder proposes to bring before the annual meeting (I) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the Shareholder proposing such business, (iii) the class and number of shares of the Corporation that are beneficially owned by the Shareholder and (iv) any material interest of the Shareholder in such business.

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

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

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

Shareholder who is present. The stock ledger shall be prima facie evidence as to who are the Shareholders entitled to examine the stock ledger, the list required by this section or the books of the Corporation, or to vote at any meeting of Shareholders.

SECTION 9. Quorum of Shareholders. At any meeting of the Shareholders, the holders of a majority in interest of all stock issued and outstanding and entitled to vote upon a question to be considered at the meeting, present in person or represented by proxy, shall constitute a quorum for the consideration of such question, but in the absence of a quorum a smaller group may adjourn any meeting from time to time. When a quorum is present at any meeting, action on a matter by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, except where a different vote is required by law or by the Articles of Incorporation. Any election by Shareholders shall be determined by a plurality of the vote cast by the Shareholders entitled to vote at the election.

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

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

The Board of Directors may adopt such rules, regulations and procedures for the conduct of the meeting of Shareholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgement of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, (i) the establishment of an agenda or order of business for the meeting, (ii) rules and procedures for maintaining order at the meeting and the safety of those present, (iii) limitations on attendance at or participation in the meeting to Shareholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine, (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof, and (v) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of Shareholders shall not be required to be held in accordance with the rules of parliamentary procedure.

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ARTICLE II

DIRECTORS

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

SECTION 2. Number; Election; Tenure and Qualification. Subject to any restrictions contained in the Articles of Incorporation, the

number of directors that shall constitute the whole Board shall be fixed by resolution of the Board of Directors but in no event shall be less than one. The directors shall be elected in the manner provided in the Articles of Incorporation, by such Shareholders as have the right to vote thereon. The number of directors may be increased or decreased by action of the Board of Directors. Directors need not be Shareholders of the Corporation.

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

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

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

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

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

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

A majority of all the members of any such committee may fix its rules of procedure, determine its action and fix the time and place, whether within or without the Commonwealth of Virginia, of its meetings and specify what

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notice thereof, if any, shall be given, unless the Board of Directors shall otherwise by resolution provide. Each committee shall keep regular minutes of its meetings and make such reports as the Board of Directors may from time to time request.

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

Special meetings of the Board of Directors may be held at any place either within or without the Commonwealth of Virginia at any time when called by the Chairman of the Board, if any, the President, the Secretary or two or more directors. Reasonable notice of the time and place of a special meeting shall be given to each director unless such notice is waived by attendance or by written waiver in the manner provided in these by-laws for waiver of notice

by Shareholders. Notice may be given by, or by a person designated by, the Secretary, the person or persons calling the meeting, or the Board of Directors. No notice of any adjourned meeting of the Board of Directors shall be required. In any case it shall be deemed sufficient notice to a director to send notice by mail at least seventy-two hours, or by telegram or fax at least forty-eight hours, before the meeting, addressed to such director at his or her usual or last known business or home address.

Directors or members of any committee may participate in a meeting of the Board of Directors or of such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation by such means shall constitute presence in person at such meeting.

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

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

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

ARTICLE III

OFFICERS

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

SECTION 2. Election and Term of Office. The officers of the Corporation shall be elected annually by the Board of Directors at its first meeting following the annual meeting of the Shareholders. Each officer shall hold

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office until his or her successor is elected and qualified, unless a different term is specified in the vote electing such officer, or until his or her earlier death, resignation or removal.

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

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

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

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

SECTION 7. Powers and Duties. The officers of the Corporation shall have such powers and perform such duties as are specified

herein and as may be conferred upon or assigned to them by the Board of Directors and shall have such additional powers and duties as are incident to their office except to the extent that resolutions of the Board of Directors are inconsistent therewith.

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

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

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

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

SECTION 10. Treasurer and Assistant Treasurers. The Treasurer shall have the custody of the corporate funds and securities, shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by or pursuant to resolution of the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, the Chairman of the Board, if any,

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or the President, taking proper vouchers for such disbursements, and shall render to the Chairman of the Board, if any, the President and the Board of Directors, at its regular meetings or whenever they may require it, an account of all transactions and of the financial condition of the Corporation.

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

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

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

ARTICLE IV

STOCK

SECTION 1. Certificates of Stock. One or more stock

certificates, signed by the Chairman or Vice-Chairman of the Board of Directors or by the President or a Vice-President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary, shall be issued to each Shareholder certifying the number of shares owned by the Shareholder in the Corporation. Any or all signatures on any such certificate may be facsimiles. In case any officer, transfer agent or registrar who shall have signed or whose facsimile signature shall have been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Each certificate for shares of stock that are subject to any restriction on transfer pursuant to the Articles of Incorporation, the by-laws, applicable securities laws, or any agreement among any number of Shareholders or among such holders and the Corporation shall have conspicuously noted on the face or back of the certificate either the full text of the restriction or a statement of the existence of such restriction.

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

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

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

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

ARTICLE V

INDEMNIFICATION

SECTION 1. Procedure. Any indemnification, or payment of expenses in advance of the final disposition of any proceeding, shall be made promptly, and in any event within 60 days, upon the written request of the director or officer entitled to seek indemnification under the Corporation's Articles of Incorporation (the "Indemnified Party"). The right to indemnification and advances hereunder shall be enforceable by the Indemnified Party in any court of competent jurisdiction, if (i) the Corporation denies such request, in whole or in part, or (ii) no disposition thereof is made within 60 days. The Indemnified Party's costs and expenses incurred in

connection with successfully establishing his or her right to indemnification, in whole or in part, in any such action shall also be reimbursed by the Corporation. It shall be a defense to any action for advance for expenses that (a) a determination has been made that the facts then known to those making the determination would preclude indemnification or (b) the Corporation has not received both (i) an undertaking as required by law to repay such advances in the event it shall ultimately be determined that the standard of conduct has not been met and (ii) a written affirmation by the Indemnified Party of such Indemnified Party's good faith belief that the standard of conduct necessary for indemnification by the Corporation has been met.

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

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

ARTICLE VI

GENERAL PROVISIONS

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

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

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

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

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

SECTION 6. Evidence of Authority. A certificate by the

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

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

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

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

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

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

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

ARTICLE VII

AMENDMENTS

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

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

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NUMBER SHARES

COMMON STOCK

INCORPORATED UNDER THE LAWS OF THE COMMONWEALTH OF VIRGINIA

MAXIMUS, INC.

NO PAR VALUE CUSIP 577933 10 4
SEE REVERSE FOR CERTAIN DEFINITIONS

THIS CERTIFICATE IS TRANSFERABLE UPON THE BOOKS OF THE CORPORATION

This Certifies that

is the owner of

FULLY-PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK OF

MAXIMUS, Inc. transferable upon the books of the corporation in person or by attorney upon surrender of this certificate duly endorsed or assigned. This certificate and the shares represented hereby are subject to the laws of the Commonwealth of Virginia and to the certificate of incorporation and amendments thereof and by-laws of the corporation. This certificate is not valid until countersigned by the transfer agent and registered by the registrant.

In Witness Whereof, MAXIMUS, Inc. has caused its corporate seal to be hereunto affixed and its certificate to be signed by its duly authorized officers.

/s/ Donna J. Muldoon /s/ SEAL /s/ David V. Mastran
Secretary President

COUNTERSIGNED AND REGISTERED:

- 1 -
AMERICAN STOCK TRANSFER & TRUST COMPANY
TRANSFER AGENT AND REGISTRAR

BY

AUTHORIZED SIGNATURE
MAXIMUS, INC.

The Company is authorized to issue more than one class or series of stock. Upon written request the Company will furnish without charge to each shareholder a copy of the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

The following abbreviations, when used in the inscription on the face of this Certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common
TEN ENT -- as tenants by the entireties
JT TEN -- as joint tenants with right of survivorship and not as tenants in common
UNIF GIFT MIN ACT -- Custodian (Cust) (Minor)
under Uniform Gifts to Minors Act
(State)

Additional abbreviations may also be used though not in the above list.

For value received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

- - - - -

- - - - -

- - - - -
(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE OF ASSIGNEE)

- - - - -

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- - - - -

- - - - -
Shares of the common stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

- - - - -
Attorney
to transfer the said stock on the books of the within named Company with full power of substitution in the promises.

Dated _____

- - - - -
NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THIS CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

SIGNATURE(S) GUARANTEED:

- - - - -
THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

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STATEMENT RE COMPUTATION OF PRO FORMA NET INCOME PER SHARE
(In thousands, except per share data)

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Months	Three Months		Nine
	Ended June 30		Ended
June 30,	1996	1997	1996
1997			
-----	-----	-----	-----
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Pro forma net income	\$1,824	(\$650)	\$4,711
\$4,085	=====	=====	=====
=====			
Shares used in computing pro forma net income per share:			
Weighted average shares outstanding for period			
Effect of options granted in January 1997:			
11,468	11,453	11,837	11,343
Options granted			
Options price			
Assumed proceeds			
Average market price			
Shares assumed repurchased			
Shares deemed outstanding	371	371	371
371			
Effect of options granted in June 1997:			
Options granted			
Option price			
Assumed proceeds			
Average market price per share			
Shares assumed repurchased			
Shares deemed outstanding	3	3	3
3			
-----	-----	-----	-----
Effect on distribution to stockholders:			
S Corporation Dividend			
Less: Net income for period from July 1, 1996 to June 30, 1997 .			
Dividend in excess of income			
Estimated net IPO proceeds per share			
Shares deemed outstanding	399	399	399
399			
-----	-----	-----	-----
Shares used in computing pro forma net income per share:	12,226	12,610	12,116
12,241	=====	=====	=====
=====			
Pro forma net income per share	\$0.15	(\$0.05)	\$0.39
\$0.33	=====	=====	=====

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IMPORTANT FACTORS REGARDING FORWARD LOOKING STATEMENTS

RELIANCE ON GOVERNMENT CLIENTS

Substantially all of the Company's clients are federal, state or local government authorities. Effective marketing of the Company's services to government clients requires the ability to respond to government requests for proposals ("RFPs"). To succeed in the RFP process, the Company must estimate its cost structure for servicing the proposed contract, the time required to establish operations and the likely terms of the proposals submitted by competitors. The Company must assemble and submit a large volume of information on a rigid timetable set forth in the RFP. The Company's ability to successfully respond to the RFP process in the future will have an important impact on the Company's business, financial condition and results of operations. No assurance can be given that the Company will be awarded contracts through the RFP process.

RISKS ASSOCIATED WITH GOVERNMENT CONTRACTING

Contracts awarded to the Company typically contain provisions that permit the government client to terminate the contract on short notice, with or without cause. The expiration of large contracts presents additional management challenges. Many contracts 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. Government agencies generally have the right not to exercise option periods and the failure to exercise such option periods could impact the profitability of certain of the Company's contracts. While the Company has experienced a limited number of early terminations since inception, the unexpected termination of one or more of the Company's more significant contracts could result in severe revenue shortfalls which, without corresponding reductions in expenses, could adversely affect the business, financial condition and results of operations of the Company. There can be no assurance that such government authorities will not terminate any or all of the Company's contracts to administer and manage health and human services programs.

In order to establish and maintain relationships with members of government agencies, the Company occasionally engages marketing consultants, including lobbyists. In the event of a significant political change, such consultants may lose their ability to effectively assist the Company. In addition, the implementation of term limits on certain elected officials will require the Company to confront political change on a regular basis. If the Company fails to manage its relationships effectively with political consultants, its business, financial condition and results of operations could materially and adversely be affected. No assurance can be given that the Company will be successful in managing such relationships.

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To avoid experiencing higher than anticipated demands for federal funds, federal government officials on occasion advise state and local authorities not to engage private consultants to advise on maximizing federal revenues. There can be no assurance that state and local officials will not be influenced by federal government officials and, therefore, not engage the Company for such services. To the extent that state and local officials determine not to seek the Company's services, the business, financial condition and results of operations of the Company could be adversely affected.

Government contracts generally are subject to audits and investigations by government agencies, including audits by the Defense Contract Audit Agency ("DCAA"). These audits and investigations involve a review of the government contractor's performance of its contracts as well as its pricing practices, cost structure and compliance with applicable laws, regulations and standards. A substantial portion of payments to the Company from U.S. Government agencies is subject to adjustment upon audit by the DCAA. Audits through 1993 have been completed with no material adjustments and the Company believes that adjustments resulting from audits of subsequent years will not have a material adverse effect on the Company's business, financial condition and results of operations. If any costs are improperly allocated to a contract, such costs are not reimbursable and, if already reimbursed, will be required to be refunded to the government. Furthermore, if improper or illegal activities are discovered in the course of any audits or investigations, the contractor may be subject to various 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. If the Company becomes subject to penalties or sanctions, such penalties or sanctions could have a material adverse effect on the Company's business, financial condition and results of operations.

RISKS INVOLVED IN MANAGING GOVERNMENT PROJECTS

Upon the receipt of a contract for the management of a health and human services program, the Company's Government Operations Group may incur significant start-up expenses prior to the receipt of any payments under such contract. Such expenses include the costs of leasing office space, purchasing necessary office equipment and hiring sufficient personnel. As a result, for large contracts, the Company may be required to make significant investments prior to the receipt of related contract payments.

Approximately 23% (51% after excluding a significant contract with the Social Security Administration) of the Company's total revenues for the year ended September 30, 1996 resulted from fixed price contracts pursuant to which the Company received its fee for meeting specified objectives or upon the achievement of specified units of work, such as the placement of welfare recipients into jobs, the collection of child support payments or the completion of managed care enrollment transfers. The Company's ability to earn a profit on these contracts is dependent upon accurate estimates of the costs involved as well as the probability of meeting the specified objectives or realizing the expected units of work within a certain period of time. In addition, the Company recognizes revenues on fixed price contracts based on costs incurred. The Company periodically reviews such contracts and adjusts revenues to reflect current

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expectations. Such adjustments will affect the timing and amount of revenue recognized and could have a material adverse effect on the Company's business, financial condition and results of operations. The Company's failure to accurately estimate the factors on which contract pricing is based could result in the Company reporting a decrease in revenues or incurring losses on such contracts and could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's inability or failure to satisfy its contractual obligations in a manner consistent with the terms of any contract could have a material adverse effect on the Company's financial condition because the Company is often required to indemnify clients for its failure to meet performance standards. Certain of the Company's contracts have liquidated damages provisions and financial penalties related to performance failures. In addition, in order for the Company's Government Operations Group to bid for certain contracts, the Company has been and will continue to be required to secure its indemnification obligations by obtaining a performance bond from an insurer, posting a cash performance bond or obtaining a letter of credit from a suitable financial institution. In the event that a government entity makes a claim against such performance bond or letter of credit, the premiums demanded by the insurers for such bonds could increase, thereby limiting the Company's ability to bid for contracts in the future. In addition, the Company's failure to meet a client's expectations in the performance of its contractual obligations could have a material adverse effect on the Company's reputation, thereby adversely affecting its business, financial condition and results of operations.

When contracts between the Company's Government Operations Group and a state or local government expire or otherwise terminate, unless the Company can successfully enter into a new contract using the services of employees formerly engaged in servicing the terminated contract or otherwise re-assign such employees, the Company will need to terminate the employment of such employees. The termination of large Government Operations Group contracts and the subsequent re-assignment or termination of employees places significant demands on the Company's management and its administrative resources. If the Company is unable to manage these challenges, the Company's business could materially and adversely be affected.

LEGISLATIVE CHANGE AND POLITICAL DEVELOPMENTS

The market for the Company's services is largely dependent on federal and state legislative programs, any of which may be modified or terminated by acts of the legislative or executive branches of federal and state government. There can be no assurance that such legislative change will not occur or that the Company will be able to anticipate and respond in a timely manner to any such legislative change. The Company's failure to manage effectively its business in light of anticipated or unanticipated legislative change could have a material adverse effect on the Company's business, operating results and financial condition.

The Welfare Reform Act is expected to be a catalyst for sweeping changes in the administration and management of the welfare system in the United States. As part of its

growth strategy, the Company plans to aggressively pursue the opportunities created by this legislation by seeking new contracts to administer and manage welfare programs of state and local government agencies. However, opponents of welfare reform continue to criticize the advances made by the current administration and continued progress in the welfare reform area is uncertain. The repeal of the Welfare Reform Act, in whole or in part, could have a material adverse effect on the future business, financial condition and results of operations of the Company. There can be no assurance that additional reforms will be proposed or enacted, or that previously enacted reforms will not be challenged, repealed or otherwise invalidated.

The adverse impact that legislative changes can have on the Company was recently evidenced by the termination of a significant contract with the federal Social Security Administration. This contract related to the referral and treatment monitoring of social security or supplemental income beneficiaries with drug or alcohol-related disabilities (the "SSA Contract"). In its fiscal year ended September 30, 1996, the Company earned revenues of \$56.5 million from the SSA Contract, representing approximately 55% of the Company's total revenues for such fiscal year. In October 1996, the President signed into law an amendment to the Social Security Act of 1935, effective January 1, 1997, that eliminated social security and supplemental income benefits based solely on drug and alcohol disabilities. As a result of this amendment, the SSA Contract was terminated and no revenues will be earned thereunder after March 31, 1997.

In addition, under current law the privatization of certain functions of government programs, such as determining eligibility for Food Stamps and Medicaid, requires the consent and/or waiver of the executive branch acting through the applicable administering government agency. In May 1997, in response to a request by the State of Texas for a waiver to allow private corporations to decide the eligibility of applicants for Food Stamps and Medicaid benefits, the Department of Health and Human Services determined not to grant a waiver to the existing requirement in these programs that only public employees may make such decisions. The Company did not bid for any contracts for these Texas projects, and the determination will not affect any of the Company's existing contracts. However, there can be no assurance that the Department of Health and Human Services or other health and human services agencies will not in the future narrow or eliminate certain future markets for health and human services contracts in which the Company intends to compete.

OPPOSITION FROM GOVERNMENT UNIONS

The Company's success depends in part on its ability to obtain contracts to profitably administer and manage health and human services programs that traditionally have been administered and managed by government employees. Many of these government employees are members of labor unions which have considerable financial resources and established lobbying networks that are effective in applying political pressure to legislators and other government officials who seek to contract with private companies to administer and manage government programs. Successful efforts to oppose private management of government programs by these unions may slow welfare reform and ultimately result in fewer opportunities for the Company to provide services to government agencies, thereby adversely affecting the

business, financial condition and results of operations of the Company. A recent example of the influence of government unions is the role played by union lobbyists in promoting a May 1997 determination by the Department of Health and Human Services, in response to a waiver request by the State of Texas, that only public employees may make decisions on eligibility of applicants for Food Stamps and Medicaid benefits. See "Legislative Change and Political Developments." There can be no assurance that these unions will not succeed in whole or in part in their efforts to oppose the outsourcing of government programs.

VARIABILITY OF QUARTERLY OPERATING RESULTS

Variations in the Company's revenues and operating results occur from quarter to quarter as a result of a number of factors, including the progress of contracts, 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 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 in which it incurs greater operating expenses during the start-up and early stages of significant contracts. In addition, the Company's SSA Contract contributed \$31.6 million, \$56.5 million, \$14.3 million and \$2.9 million to the Company's revenues in the nine months ended June 30, 1997 and fiscal years 1996, 1995 and 1994, respectively. The termination of the SSA Contract will significantly reduce the Company's revenue base as compared to previous quarters. No assurance can be given that the Company will be able to generate additional revenues in future periods in amounts sufficient to replace the revenues received under the SSA Contract and as a result, the Company may experience materially lower revenues as compared to prior periods.

The Company recognized two significant charges against income during the quarter ended June 30, 1997. The completion of the offering resulted in the termination of the Company's S corporation status. As a result the Company recorded a one-time income statement charge to operations of \$5.9 million to recognize the cumulative deferred tax liabilities as of June 13, 1997. In connection with the offering, 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 equal to the difference between the initial public offering price of \$16.00 per share and the option exercise price for all outstanding options. Compensation expense totaling \$150,000 had been recognized through March 31, 1997, and upon completion of this offering, the Company recognized an additional charge against income of \$5.7 million. The option exercise price is based on the book value of the Common Stock at September 30, 1996, and was established pursuant to pre-existing compensation arrangements with these employees.

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RELIANCE ON KEY EXECUTIVES

The success of the Company is highly dependent upon the efforts, abilities, business generation and project execution capabilities of certain of its executive officers and senior managers. While the Company, Raymond B. Ruddy, Chairman of the Board of Directors and President of the Consulting Group, Russell A. Beliveau, President of the Government Operations Group, Ilene R. Baylinson, President of the Disability Services Division, Susan D. Pepin, President of the Systems Planning and Integration Division and Lynn P. Davenport, President of the Human Services Division, such agreements are terminable under certain conditions. Other than these six agreements with executive officers, the Company does not have employment agreements with any other senior employees. The loss of the services of any of these key executives could have a material adverse effect upon the Company's business, financial condition and results of operations, including its ability to secure and complete engagements. The Company maintains key-man life insurance policies on David V. Mastran and Raymond B. Ruddy in the amounts of \$10,700,000 and \$7,250,000, respectively, with proceeds payable to the Company. Because the levels of insurance were established to fund stock redemption obligations of the Company that will terminate upon the closing of this offering, the Company anticipates that it will substantially reduce these policies subsequent to this offering.

ATTRACTION AND RETENTION OF EMPLOYEES

The Company's business involves the delivery of professional services and is labor-intensive. When the Company's Government Operations Group is awarded a contract by a government agency, the Company is often under a tight timetable to hire project leaders and case management personnel to meet the needs of the new project. In addition, the resulting large increases in the number of the Company's employees create demand for increased administrative personnel at the Company's headquarters. The Company's success in both the Government Operations Group and the Consulting Group depends in large part upon its ability to 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 and information technology professionals who have designed or implemented complex information technology projects. Such innovative, experienced and technically proficient individuals are in great demand and are likely to remain a limited resource for the foreseeable future. There can be no assurance that the Company will be able to continue to attract and retain desirable executive officers and senior managers in the future. The inability to hire sufficient personnel on a timely basis or the loss of a significant number of executive officers and senior managers could have a material adverse effect on the Company's business, financial condition and results of operations, including its ability to obtain and successfully complete service contracts.

CHALLENGES RESULTING FROM GROWTH

The Company's continued growth has placed significant demands on the Company's management as well as its administrative, operational and financial resources. The Company's ability to manage its growth will require the Company to continue to implement new and to improve existing operational, financial and management information systems and to continue to expand, motivate and manage its workforce. In addition, the Company's growth will depend in large part on its ability to manage large-scale health and human services programs while continuing to ensure quality service and reasonable profits. If the Company is unable to manage effectively any of these factors, the quality of the Company's services, its financial condition and results of operations could be materially and adversely affected. No assurance can be given that the Company will continue to experience growth or that the Company will be successful in managing its growth, if any.

ADVERSE PUBLICITY

The Company has received and expects to continue to receive media attention as a result of its contracts with state and local government authorities. In particular, the management of health and human services programs by the Company's Government Operations Group and the establishment of revenue maximization programs by the Company's Consulting Group have been the subject of highly controversial media coverage. Negative coverage of the types of program management services provided by the Company could influence government officials and slow the pace of welfare reform, thereby reducing the Company's growth prospects. In addition to media attention arising out of the types of services provided by the Company, the Company is also vulnerable to media attention as a result of the activities of political consultants engaged by the Company, even when such activities are unrelated to the Company. Such an event occurred in connection with a marketing representative hired by the Company to assist in responding to an RFP promulgated by the State of West Virginia. After learning that the marketing representative was also a state employee, the Company voluntarily withdrew from the bidding. Certain media coverage relating to this incident was inaccurate and incorrectly suggested wrongdoing by the Company. The Company has become aware that certain of its competitors have sought to exploit such suggestions in connection with other competitive-bidding situations. There can be no assurance that the Company will not receive adverse media attention as the result of activities of individuals not under the Company's control. In addition, there can be no assurance that media attention focused on the Company will be accurate or that the Company will be able to anticipate and respond in a timely manner to all media contacts. Inaccurate or misleading media coverage or the Company's failures to manage such coverage could have a material adverse effect on the Company's reputation, thereby adversely affecting its business, financial condition and results of operations.

RISKS RELATED TO POSSIBLE ACQUISITIONS

A part of the Company's growth strategy is to expand its operations through the acquisition of additional businesses. The Company has no prior history of making acquisitions and there

can be no assurance that the Company will be able to identify, acquire or profitably manage additional businesses or successfully integrate any acquired businesses into the Company without incurring substantial expenses, delays or other operational or financial problems. Furthermore, acquisitions may involve a number of special risks, including diversion of management's attention, failure to retain key personnel, unanticipated events or circumstances, legal liabilities and amortization of acquired intangible assets, some or all of which could have a material adverse effect on the Company's business, financial condition and results of operations. Client dissatisfaction or performance problems at a single acquired firm could have a material adverse effect on the reputation of the Company as a whole. In addition, there can be no assurance that acquired businesses, if any, will achieve anticipated revenues and earnings. The failure of the Company to manage its acquisition strategy successfully could have a material adverse effect on the Company's business, financial condition and results of operations.

LITIGATION

On March 12, 1997, Network Six, Inc. ("Network Six") served MAXIMUS with a First Amended Third-Party Complaint filed in the State of Hawaii Circuit Court of the First Circuit. In this complaint, Network Six named the Company and other parties as third party defendants in an action by the State of Hawaii against Network Six. In 1991, the Company's Consulting Group was engaged by the State of Hawaii to provide assistance in planning for and monitoring the

development and implementation by Hawaii of a statewide automated child support system. In 1993, Hawaii contracted with Network Six to provide systems development and implementation services for this project. In 1996, the state terminated the Network Six contract for cause and filed an action against Network Six. Network Six counterclaimed against Hawaii that the state breached its obligations under the contract with Network Six. In the Third Party Complaint, Network Six alleges that the Company is liable to Network Six on grounds that: (I) Network Six was an intended third party beneficiary under the contract between the Company and Hawaii; (ii) the Company engaged in bad faith conduct and tortiously interfered with the contract and relationship between Network Six and Hawaii; (iii) the Company negligently breached duties to Network Six; and (iv) the Company aided and abetted Hawaii in Hawaii's breach of contract. Network Six's complaint seeks damages, including punitive damages, from the third party defendants in an amount to be proven at trial. The Company believes that Network Six was not an intended third party beneficiary under its contract with Hawaii and that Network Six's claims are without factual or legal merit. The Company does not believe this action will have a material adverse effect on its business and intends to vigorously defend this action. However, given the early stage of this litigation, no assurance may be given that the Company will be successful in its defense. A decision by the court in Network Six's favor or any other conclusion of this litigation in a manner adverse to the Company could have a material adverse effect on the Company's business, financial condition and results of operations.