

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1999

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 /X/ No / /

<TABLE>
<CAPTION>

CLASS	OUTSTANDING AT MAY 13, 1999
-----	-----
<S>	<C>
Common Shares, No Par Value	20,948,591

</TABLE>

MAXIMUS, INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 1999

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Balance Sheets as of March 31, 1999 (unaudited) and September 30, 1998

Statements of Income for the three months and six months ended March
31, 1999 and 1998 (unaudited)

Statements of Cash Flows for the six months ended March 31, 1999 and
1998 (unaudited)

Notes to Financial Statements

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

PART II. OTHER INFORMATION

Item 2. Changes in Securities and Use of Proceeds from Registered Securities

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

Item 6. Exhibits and Reports on Form 8-K

Signatures

Exhibit Index

- 2 -

MAXIMUS, INC.
BALANCE SHEETS
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	SEPTEMBER 30, 1998	MARCH 31, 1999
	-----	-----
		(UNAUDITED)
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 19,403	\$ 24,657
Marketable securities	13,577	69,194
Accounts receivable, net	72,251	66,220
Costs and estimated earnings in excess of billings	10,654	12,867
Prepaid income taxes	--	1,706
Prepaid expenses and other current assets	1,188	1,190
	-----	-----
Total current assets	117,073	175,834
Property and equipment at cost:		
Land	662	2,462
Building and improvements	1,721	7,921
Office furniture and equipment	7,703	8,133
Leasehold improvements	214	214
	-----	-----
	10,300	18,730
Less: Accumulated depreciation and amortization	(5,433)	(5,729)
	-----	-----
Total property and equipment, net	4,867	13,001
Deferred income taxes	1,434	1,434
Intangible assets	1,035	2,573
Other assets	1,593	2,818
	-----	-----
Total assets	\$ 126,002	\$ 195,660
	-----	-----
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 10,006	\$ 9,239
Accrued compensation and benefits	15,877	13,189
Billings in excess of costs and estimated earnings	11,608	12,511
Note payable	200	--
Income taxes payable	3	--
Deferred income taxes	901	901
	-----	-----
Total current liabilities	38,595	35,840
Long-term debt, less current portion	620	454
	-----	-----
Total liabilities	39,215	36,294
Shareholders' equity:		
Common stock, no par value; 30,000,000 shares authorized; 18,925,029 and 20,944,437 shares issued and outstanding at September 30, 1998 and March 31, 1999, at stated amount ..	68,624	129,804
Retained earnings	18,163	29,562
	-----	-----
Total shareholders' equity	86,787	159,366
	-----	-----
Total liabilities and shareholders' equity	\$ 126,002	\$ 195,660
	-----	-----
	-----	-----

</TABLE>

See notes to financial statements.

- 3 -

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

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31,		SIX MONTHS ENDED MARCH 31,	
	1998	1999	1998	1999
<S>	<C>	<C>	<C>	<C>
Revenues	\$ 55,959	\$ 76,290	\$106,353	\$148,636
Cost of revenues	41,117	52,894	78,764	105,127
Gross profit	14,842	23,396	27,589	43,509
Selling, general and administrative expenses	8,641	12,784	17,067	24,045
Stock option compensation, merger, deferred compensation and ESOP expenses ...	907	118	1,374	118
Income from operations	5,294	10,494	9,148	19,346
Interest and other income	548	881	1,085	1,275
Income before income taxes	5,842	11,375	10,233	20,621
Provision for income taxes	2,237	4,700	3,829	8,353
Net income	\$ 3,605	\$ 6,675	\$ 6,404	\$ 12,268
Earnings per share:				
Basic	\$ 0.21	\$ 0.32	\$ 0.37	\$ 0.61
Diluted	\$ 0.20	\$ 0.31	\$ 0.37	\$ 0.60
Shares used in computing earnings per share:				
Basic	17,528	20,944	17,105	20,101
Diluted	17,919	21,333	17,496	20,467

</TABLE>

See notes to financial statements.

- 4 -

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

<TABLE>
<CAPTION>

	SIX MONTHS ENDED MARCH 31,	
	1998	1999
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 6,404	\$ 12,268
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	434	625
Change in assets and liabilities:		
Accounts receivable, net	(3,105)	4,243
Costs and estimated earnings in excess of billings	(2,586)	(2,221)
Prepaid expenses and other current assets	899	(10)
Prepaid income taxes	--	(1,706)

Deferred income taxes	(7)	--
Other assets	262	(747)
Accounts payable	2,018	(926)
Accrued compensation and benefits	1,174	(2,397)
Billings in excess of costs and estimated earnings	326	770
Income taxes payable	(3,026)	(3)
Other liabilities	48	141
	-----	-----
Net cash provided by operating activities	2,841	10,037
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of real estate	--	(8,000)
Acquisition of businesses	--	(2,637)
Increase in cash resulting from immaterial poolings	52	--
Purchase of property and equipment	(302)	(349)
Purchase of marketable securities	8,820	(54,107)
	-----	-----
Net cash provided by (used in) investing activities	8,570	(65,093)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from secondary offering, net of expenses	--	61,010
S Corporation distributions	(6,668)	(756)
Issuance of common stock	38	170
Repayment of debt	(889)	(145)
	-----	-----
Net cash (used in) provided by financing activities	(7,519)	60,279
	-----	-----
Net increase in cash and cash equivalents	3,892	5,223
Cash flow adjustment for change in accounting period of DMG and CSI	467	31
Cash and cash equivalents, beginning of period	11,006	19,403
	-----	-----
Cash and cash equivalents, end of period	\$ 15,365	\$ 24,657
	-----	-----

</TABLE>

See notes to financial statements.

- 5 -

MAXIMUS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIODS ENDED MARCH 31, 1999 AND 1998
(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) considered necessary for a fair presentation have been included. The results of operations for the three-month and six-month periods ended March 31, 1999 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, 1997 and 1998 and for each of the three years in the period ended September 30, 1998, that reflect restatement for the merger with Control Software, Inc., included in the Company's Current Report on Form 8-K, as filed with the Securities and Exchange Commission on March 30, 1999.

2. SECONDARY PUBLIC OFFERING

The Company completed a secondary public offering ("secondary") of Common Stock during December 1998. Of the 4,200,000 shares of Common Stock sold in the secondary, 2,000,000 shares were sold by MAXIMUS, Inc. generating \$61,010,000 in proceeds to the Company, net of offering expenses and 2,200,000 shares were sold by Selling Shareholders.

3. BUSINESS COMBINATIONS

On May 12, 1998, the Company issued 1,166,179 shares of its common stock in exchange for all of the outstanding common stock of David M. Griffith and Associates, Ltd. ("DMG"). This merger was accounted for as a pooling of interests, and the Company's financial statements, including earnings per share, have been restated for all periods presented to include the financial position and results of operations of DMG.

On December 1, 1998, the Company acquired contracts and certain assets consisting primarily of computer equipment and office furniture from Interactive Web Systems, Inc. for \$707,000. In conjunction with this

transaction, the Company recorded intangible assets of \$150,000.

On February 26, 1999, the Company issued 700,210 shares of its common stock in exchange for all of the outstanding common stock of Control Software, Inc. ("CSI"). This merger was accounted for as a pooling of interests, and the Company's financial statements, including earnings per share, have been restated for all periods presented to include the financial position and results of operations of CSI.

On March 31, 1999, the Company acquired Norman Roberts & Associates, Inc. for \$1,930,000. In conjunction with the purchase, the Company recorded intangible assets of \$1,880,000.

4. 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 including negligence and tortious interference. The Company believes Network Six's claims are without merit and intends to defend this action vigorously. 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.

- 6 -

On November 28, 1997, an individual who was a former officer, director and shareholder of the Company filed a complaint in the United States District Court for the District of Massachusetts alleging that, at the time he resigned from the Company in 1996, thereby triggering the repurchase of his shares, the Company and certain of its officers and directors had failed to disclose material information to him relating to the potential value of the shares. He further alleges that the Company and its officers and directors violated Sections 10(b) and 20(a) of the Securities and Exchange Act of 1934 and breached various fiduciary duties owed to him and claims damages in excess of \$10 million. The Company believes these claims are without merit and intends to defend the matter vigorously. The Company does not believe that this action will have a material adverse effect on the Company's financial condition or results of operations and has not accrued for any loss related to this action.

In January 1997, a lawsuit was filed against a number of defendants, including DMG, by a purchaser of municipal bonds. DMG had prepared two reports rendering an opinion on the anticipated debt service coverage of the revenue bonds for the first five years of operation of the sewer project by Superstition Mountain Community Facilities District No. 1 (the "District"). The District was unable to meet its debt service obligations and filed bankruptcy. The purchaser of the Revenue Bonds, Allstate Insurance company, has sued a number of defendants, including DMG, for damages of \$32.1 million which is the face value of the revenue bonds, plus interest. The District also filed a lawsuit against DMG seeking damages, which suit has been consolidated with the purchaser's action. DMG believes these claims are without merit and intends to defend against these claims vigorously. The Company does not believe that this action will have a material adverse effect on the Company's financial condition or results of operations and has not accrued for any loss related to these claims.

The Company also is involved in various other legal proceedings in the ordinary course of 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.

5. EARNINGS PER SHARE

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

<TABLE>
<CAPTION>

	Three Months		Six Months	
	Ended March 31,	Ended March 31,	Ended March 31,	Ended March 31,
	1998	1999	1998	1999
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Numerator:				
Net income	\$ 3,605	\$ 6,675	\$ 6,404	\$12,268
Denominator:				
Denominator for basic earnings per share:				
Weighted average shares outstanding .	17,528	20,944	17,105	20,101
Stock options	391	389	391	366
	-----	-----	-----	-----

Denominator for dilutive earnings per share	17,919	21,333	17,496	20,467
	-----	-----	-----	-----
	-----	-----	-----	-----
Earnings per share:				
Basic	\$ 0.21	\$ 0.32	\$ 0.37	\$ 0.61
	-----	-----	-----	-----
	-----	-----	-----	-----
Diluted	\$ 0.20	\$ 0.31	\$ 0.37	\$ 0.60
	-----	-----	-----	-----
	-----	-----	-----	-----

</TABLE>

- 7 -

6. SEGMENT INFORMATION (QUARTER ENDED MARCH 31,)

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

<TABLE>
<CAPTION>

Revenues:	Three Months		Six Months	
	Ended March 31,		Ended March 31,	
	1998	1999	1998	1999
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Government Operations	\$ 32,189	\$ 42,544	\$ 59,961	\$ 81,361
Consulting	23,770	33,746	46,392	67,275
	-----	-----	-----	-----
Total	\$ 55,959	\$ 76,290	\$106,353	\$148,636
	-----	-----	-----	-----
	-----	-----	-----	-----

Income From Operations:	Three Months		Six Months	
	Ended March 31,		Ended March 31,	
	1998	1999	1998	1999
	-----	-----	-----	-----
Government Operations	2,500	4,428	4,075	6,995
Consulting	2,794	6,066	5,073	12,351
	-----	-----	-----	-----
Total	\$ 5,294	\$ 10,494	\$ 9,148	\$ 19,346
	-----	-----	-----	-----
	-----	-----	-----	-----

</TABLE>

7. RECLASSIFICATION

Certain 1998 balance sheet amounts have been reclassified to conform with 1999 presentation.

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

OVERVIEW

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

As an important part of the Company's growth strategy, it has completed during the past year combinations with six consulting firms: Spectrum Consulting Services, Inc. and Spectrum Consulting Group, Inc. (collectively, "Spectrum") in March 1998; David M. Griffith & Associates, Ltd. ("DMG") in May 1998; Carrera Consulting Group ("Carrera") and Phoenix Planning & Evaluation, Ltd. ("Phoenix") in August 1998; and Control Software, Inc. ("CSI") in February 1999, all of which were accounted for as poolings of interests combinations, and Norman Roberts & Associates, Inc. ("Norman Roberts") in March 1999, accounted for as a purchase. See "Business Combinations." Prior year amounts have been restated to reflect the combinations with DMG and CSI. The Spectrum, Carrera and Phoenix combinations

were accounted for as immaterial poolings of interests and, accordingly, the Company's previously issued financial statements were not restated to reflect these combinations.

The Company's revenues are generated from contracts with various payment arrangements, including: (i) costs incurred plus a fixed fee ("cost-plus"); (ii) fixed-price; (iii) performance-based criteria; and (iv) time and materials reimbursement (utilized primarily by the Consulting Group). For the fiscal year ended September 30, 1998, revenues from these contract types were approximately 23%, 46%, 17% and 14%, respectively, of total revenues. Traditionally, federal government contracts have been cost-plus and a majority of the contracts with state and local government agencies have been fixed-price and performance-based. Fixed price and performance-based contracts generally offer higher margins but typically involve more risk than cost-plus or time and materials reimbursement contracts because the Company is subject to the risk of potential cost overruns or inaccurate revenue estimates.

The Government Operations Group's contracts generally contain base periods of one or more years as well as one or more option periods that may cover more than half of the potential contract duration. As of September 30, 1998, the

- 8 -

Company's average Government Operations contract duration was 3 1/2 years. The Company's Consulting Group contracts have performance durations ranging from a few weeks to a few years. Indicative of the long-term nature of the Company's engagements, approximately 60% of the Company's fiscal 1998 revenues were in backlog as of September 30, 1997.

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

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

BUSINESS COMBINATIONS

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

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

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

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

As of August 31, 1998, the Company acquired all of the outstanding

shares of capital stock of Phoenix in exchange for 254,545 shares of Common Stock. Phoenix, based in Rockville, Maryland, provides consulting services to public sector entities in planning, implementing and evaluating the utilization of various electronic commerce technologies, such as electronic benefits transfer, electronic funds transfer and electronic card technologies. At the time of the combination, Phoenix had 11 consultants and three other employees.

On December 1, 1998, the Company acquired contracts and certain assets, consisting primarily of computer equipment and office furniture from Interactive Web Systems, Inc. for \$707,000. In conjunction with this transaction, the Company recorded intangible assets of \$150,000.

- 9 -

As of February 26, 1999, the Company acquired all of the outstanding shares of capital stock of CSI in exchange for 700,212 shares of Common Stock. CSI, based in Wayne, Pennsylvania, provides fleet management software and related services to public sector entities. At the time of the combination, CSI had 46 employees.

On March 31, 1999, the Company acquired all of the outstanding shares of capital stock of Norman Roberts for \$1,930,000. Norman Roberts, based in Los Angeles, California, provides executive search services for the public sector. In conjunction with the purchase, the Company recorded intangible assets of \$1,880,000.

RESULTS OF OPERATIONS

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

<TABLE>
<CAPTION>

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	MARCH 31,		MARCH 31,	
	1998	1999	1998	1999
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Revenues:				
Government Operations Group	57.5%	55.8%	56.4%	54.7%
Consulting Group	42.5	44.2	43.6	45.3
Total revenues	100.0	100.0	100.0	100.0
Gross Profit:				
Government Operations Group	19.4	20.5	18.7	18.9
Consulting Group	36.1	43.5	35.4	41.8
Total gross profit as a percent of revenue .	26.5	30.7	25.9	29.3
Selling, general and administrative expenses	15.4	16.8	16.0	16.2
Stock option compensation, merger, deferred compensation and ESOP expenses.....	1.6	0.1	1.3	0.1
	-----	-----	-----	-----
Income from operations	9.5	13.8	8.6	13.0
Interest and other income (expenses)	0.9	1.1	1.0	0.9
	-----	-----	-----	-----
Income before income taxes	10.4	14.9	9.6	13.9
Provision for income taxes	4.0	6.2	3.6	5.6
	-----	-----	-----	-----
Net income	6.4	8.7	6.0	8.3
	-----	-----	-----	-----

</TABLE>

THREE MONTHS ENDED MARCH 31, 1999 COMPARED TO THREE MONTHS ENDED MARCH 31, 1998

REVENUES. Total contract revenues increased 36.3% to \$76.3 million for the three months ended March 31, 1999 as compared to \$56.0 million for the same period in 1998. Government Operations Group revenues increased 32.2% to \$42.5 million for the three months ended March 31, 1999 from \$32.2 million for the same period in 1998. This increase was due to an increase in the number of contracts in all four divisions in the Government Operations Group. Consulting Group revenues increased 42.0% to \$33.7 million for the three months ended March 31, 1999 from \$23.8 million for the same period in 1998. The revenue from Carrera and Phoenix, which merged with MAXIMUS subsequent to March 1998 in mergers accounted for as immaterial poolings of interests, and for which the March 1998 quarter results were not restated, was \$3.5 million for the March 1998 quarter. The revenue increase for the Consulting Group from the March 1998 quarter to the March 1999 quarter, including the \$3.5

million in the March 1998 quarter, was 23.7%. This increase was due to an increase in the number of contracts in the Consulting Group.

GROSS PROFIT. Total gross profit increased 57.6% to \$23.4 million for the three months ended March 31, 1999 as compared to \$14.8 million for the same period in 1998. Government Operations Group gross profit increased 39.5% to \$8.7 million for the three months ended March 31, 1999 from \$6.3 million for the three months ended March 31, 1998. As a percentage of Government Operations Group revenues, Government Operations Group gross profit increased to 20.5% for the

- 10 -

three months ended March 31, 1999 from 19.4% for the same period in 1998. The increase was due to improved margins in three of the four divisions of the Government Operations Group. The Consulting Group gross profit increased 70.8% to \$14.7 million for the three months ended March 31, 1999 from \$8.6 million for the same period in 1998 due to the increased revenues and an increased gross profit percentage. As a percentage of Consulting Group revenues, Consulting Group gross profit increased to 43.5% for the three months ended March 31, 1999 from 36.1% for the same period in 1998, due primarily to favorable revenue recognition adjustments on two Revenue Maximization type contracts, improved operating efficiencies within the CSI division, and margins at the Carrera division which were greater than the Group average of 43.5%, and which were not included in the March 1998 results as the merger occurred subsequent to that date.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Total selling, general and administrative ("SG&A") expenses increased 47.9% to \$12.8 million for the three months ended March 31, 1999 as compared to \$8.6 million for the same period in 1998. The increase in SG&A costs was due to the increased size of the Company, both in terms of revenue growth and the number of employees, which increased to 3,025 at March 31, 1999 from 2,576 at March 31, 1998. As a percentage of revenues, SG&A expenses increased to 16.8% for the three months ended March 31, 1999 from 15.4% for the same period in 1998, primarily due to the establishment of a Business Development unit at the end of fiscal year 1998, a significant increase in the size and capability of the Information Services unit, and the incurrence of expenses in connection with the integration of the merged companies into MAXIMUS.

DEFERRED COMPENSATION AND ESOP EXPENSE. During the three months ended March 31, 1999, the Company incurred \$0.1 million of expenses in connection with the combination with CSI. During the three months ended March 31, 1998, the Company incurred \$345 million of expenses in connection with the combination with DMG, and DMG incurred \$562 million of deferred compensation and employee stock ownership plan (ESOP) expenses. DMG, with which the Company merged in May 1998, had deferred compensation and ESOP plans which were terminated after the merger. Therefore, no expense for those plans was incurred during the three months ended March 31, 1999.

INTEREST AND OTHER INCOME. The increase in interest and other income to \$0.9 million for the three months ended March 31, 1999 as compared to \$0.5 million for the same period in 1998 was due to an increase in the average invested funds. The increase in invested funds is due largely to the receipt of proceeds of \$61.0 million from the secondary public stock offering completed in December 1998.

PROVISION FOR INCOME TAXES. The provision for income tax for the three months ended March 31, 1999 was 41.3% of income before income taxes as compared to 38.3% for the three months ended March 31, 1998. The difference in percentages was due to differences in the amounts of certain expense items which are not deductible for tax purposes between the two time periods and the incurrence of \$0.2 million of additional tax expense in connection with the termination of the S-Corporation status of CSI upon its merger with the Company.

SIX MONTHS ENDED MARCH 31, 1999 COMPARED TO SIX MONTHS ENDED MARCH 31, 1998

REVENUES. Total contract revenues increased 39.8% to \$148.6 million for the six months ended March 31, 1999 as compared to \$106.4 million for the same period in 1998. Government Operations Group revenues increased 35.7% to \$81.4 million for the six months ended March 31, 1999 from \$60.0 million for the same period in 1998. This increase was due to an increase in the number of contracts in all four divisions in the Government Operations Group. Consulting Group revenues increased 45.0% to \$67.2 million for the six months ended March 31, 1999 from \$46.4 million for the same period in 1998. The revenue from Carrera and Phoenix, which merged with MAXIMUS subsequent to March 1998 in mergers accounted for as immaterial poolings of interests, and for which the results for the six months ended March 1998 were not restated, was \$8.4 million for the six months ended March 1998. The revenue increase for the Consulting Group from the six months ended March 1998 to the six months ended March 1999, including the \$8.4 million in the six months ended March 1998 was 23.7%. This increase was due to an increase in the number of contracts in the Consulting Group.

GROSS PROFIT. Total gross profit increased 57.7% to \$43.5 million for the six months ended March 31, 1999 as compared to \$27.6 million for the same period in 1998. Government Operations Group gross profit increased 37.7% to \$15.4 million for the six months ended March 31, 1999 from \$11.2 million for the six months ended March 31, 1998. As a percentage of Government Operations Group revenues, Government Operations Group gross profit increased to 18.9% for the six months ended

- 11 -

March 31, 1999 from 18.7% for the same period in 1998. The increase was due to the improvement in gross margin for the three months ended March 31, 1999. The Consulting Group gross profit increased 71.3% to \$28.1 million for the six months ended March 31, 1999 from \$16.4 million for the same period in 1998 due to the increased revenues and an increased gross profit percentage. As a percentage of Consulting Group revenues, Consulting Group gross profit increased to 41.8% for the six months ended March 31, 1999 from 35.4% for the same period in 1998, due to the improvement in gross margin for the three months ended March 31, 1999.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Total selling, general and administrative ("SG&A") expenses increased 40.9% to \$24.0 million for the six months ended March 31, 1999 as compared to \$17.1 million for the same period in 1998. The increase in SG&A costs was due to the increased size of the Company, both in terms of revenue growth and the number of employees, which increased to 3,025 at March 31, 1999 from 2,576 at March 31, 1998. As a percentage of revenues, SG&A expenses increased to 16.2% for the six months ended March 31, 1999 from 16.0% for the same period in 1998, primarily due to the establishment of a Business Development unit at the end of fiscal year 1998, a significant increase in the size and capability of the Information Services unit, and the incurrence of expenses in connection with the integration of the merged companies into MAXIMUS.

DEFERRED COMPENSATION AND ESOP EXPENSE. During the six months ended March 31, 1999, the Company incurred \$0.1 million of expenses in connection with the combination with CSI. During the six months ended March 31, 1998, the Company incurred \$417 million of expenses in connection with the combination with DMG, and DMG incurred \$957 million of deferred compensation and employee stock ownership plan (ESOP) expenses. DMG, with which the Company merged in May 1998, had deferred compensation and ESOP plans which were terminated after the merger. Therefore, no expense for those plans was incurred during the six months ended March 31, 1999.

INTEREST AND OTHER INCOME. The increase in interest and other income to \$1.3 million for the six months ended March 31, 1999 as compared to \$1.1 million for the same period in 1998 was due to an increase in the average invested funds. The increase in invested funds is due largely to the receipt of proceeds of \$61.0 million from the secondary public stock offering completed in December 1998.

PROVISION FOR INCOME TAXES. The provision for income tax for the six months ended March 31, 1999 was 40.5% of income before income taxes as compared to 37.4% for the six months ended March 31, 1998. The difference in percentages was due to differences in the amounts of certain expense items which are not deductible for tax purposes between the two time periods and the incurrence of \$0.2 million of additional tax expense in connection with the termination of the S-Corporation status of CSI upon its merger with the Company.

LIQUIDITY AND CAPITAL RESOURCES

For the six months ended March 31, 1999, cash provided by operations was \$10.0 million as compared to \$2.8 million for the six months ended March 31, 1998. The principal reason for the increase in cash provided by operations for the six months ended March 31, 1999 compared to the six months ended March 31, 1998 was the increase in net income to \$12.3 million from \$6.4 million. Additionally, there was a decrease in accounts receivable, billed and unbilled, to \$79.1 million at March 31, 1999 from \$82.9 million at December 1998. This decrease of \$3.8 million was achieved due to receipt of payments on overdue billings from a few large customers.

For the six months ended March 31, 1999, cash used in investing activities was \$65.1 million as compared to \$8.6 million cash provided by investing activities for the six months ended March 31, 1998. The \$65.1 million used in investing activities for the six months ended March 31, 1999 primarily consisted of the purchase of marketable securities totaling \$54.1 million with the proceeds from the secondary, \$8.0 million for the purchase of a 60,000 square foot office building in Reston, Virginia to serve as corporate headquarters and the purchase of Norman Roberts, an executive search firm, on March 31, 1999, for \$1.9 million.

Cash provided by financing during the six months ended March 31, 1999 was \$60.3 million, which consisted primarily of the \$61.0 million of proceeds, net of offering expenses, from the secondary stock offering completed in December 1998. During the six months ended March 31, 1998, cash used in financing activities consisted primarily of \$5.7 million of

S-Corporation cash distributions paid to the S-Corporation shareholders, based upon the undistributed earnings of the Company taxable to the shareholders through the date of the IPO. Also, during the six

- 12 -

months ended March 31, 1998, consistent with their past practices, Spectrum, Phoenix and CSI paid S-Corporation cash distributions totaling \$1.0 million based upon pre-merger taxable income.

The Company has a \$10.0 million revolving credit facility (the "Credit Facility") with a bank, which may be used for borrowing and the issuance of letters of credit. Outstanding letters of credit totaled \$0.5 million at March 31, 1999. The Credit Facility bears interest at a rate equal to LIBOR plus an amount which ranges from 0.65% to 1.25% depending on the Company's debt-to-equity ratio. The Credit Facility contains certain restrictive covenants and financial ratio requirements, including a minimum net worth requirement of \$60 million. The Company did not use the Credit Facility to finance its working capital needs for the six months ended March 31, 1999 and 1998. At March 31, 1999, the Company had \$9.5 million available under the Credit Facility.

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

YEAR 2000

The Company is aware of the issues that many computer, telecommunication and other infrastructure systems will face as the millennium ("Year 2000") approaches. The Company is auditing its internal software and hardware and implementing corrective actions where necessary to address Year 2000 problems. The Company is also reviewing the software and hardware of, and implementing corrective actions where necessary at its DMG, Carrera, Spectrum, Phoenix and CSI divisions. The Company will continue to assess the need for Year 2000 contingency plans as its remediation efforts progress. The Company estimates that its remediation efforts will be completed by July 31, 1999. The Company does not believe that the cost of these efforts will be material or will have a material impact on its operations or financial results. However, there can be no assurance that those costs will not be greater than anticipated, or that corrective actions undertaken will be completed before any Year 2000 problems could occur.

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

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

FORWARD LOOKING STATEMENTS

Statements that are not historical facts, including statements about the Company's confidence and strategies and the Company's expectations regarding its ability to obtain future contracts, expand its market opportunities or attract highly-skilled employees, are forward looking statements that involve risks and uncertainties. These risks and uncertainties include legislative changes and political developments adverse to the privatization of the provision of government services; risks related to completed or future acquisitions; opposition from government employee unions; reliance on key executives; impact of competition from similar companies; and legal, economic and other risks detailed in Exhibit 99 to this Quarterly Report on Form 10-Q for the period ended March 31, 1999.

- 13 -

Part II. Other Information.

Item 2. Changes in Securities and Use of Proceeds.

(a) Changes in Securities.

On February 26, 1999, the Company acquired CSI, a privately-held Pennsylvania corporation. In connection with the acquisition, the four shareholders of CSI were issued an aggregate of 700,212 shares of the Company's Common Stock, no par value, in exchange for 100% of the outstanding stock of CSI. The issuance was made in reliance upon the exemption from registration afforded by Section 4(2) of the Securities Act of 1933, as amended.

(b) Use of Proceeds from Registered Securities.

A Registration Statement on Form S-1 (File No. 333-29115) registering 6,037,500 shares of the Company's Common Stock, filed in connection with the Company's IPO, was declared effective by the Securities and Exchange Commission on June 12, 1997. The IPO closed on June 18, 1997 and the offering has terminated. The Company's net proceeds from the IPO were \$53,804,000. Cumulatively through December 31, 1998, the Company used \$39,800,000 of the net proceeds, which was reported in previous Forms 10-Q and 10-K filed with the SEC. During the quarter ended March 31, 1999, the Company used \$4,937,000 of the net proceeds from the IPO. Of that amount, \$1,930,000 was used to purchase the outstanding common stock of Norman Roberts, an executive search firm, on March 31, 1999, \$707,000 was used for the purchase of contracts and assets from Interactive Web Systems, Inc., discussed in the footnotes to the financial statements contained in this Form 10-Q, and \$2,300,000 was used to provide general operating capital.

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

At the Annual Meeting of Shareholders held on February 23, 1999, the Company's shareholders voted as follows:

(a) To reelect Messrs. Russell A. Beliveau, Jesse Brown and Ms. Susan D. Pepin to the Board of Directors, each for a three-year term.

<TABLE>
<CAPTION>

Nominee -----	Total Vote "For" -----	Total Vote Withheld -----
<S>	<C>	<C>
Russell A. Beliveau	18,949,949	53,127
Jesse Brown	18,950,049	53,027
Susan D. Pepin	18,950,049	53,027

</TABLE>

The terms of office of David V. Mastran, Raymond B. Ruddy, Margaret Carrera, George C. Casey, Louis E. Chappuie, Lynn P. Davenport, Thomas A. Grissen, Robert J. Muzzio and Peter B. Pond continued after the meeting.

(b) To amend the Company's 1997 Equity Incentive Plan to increase the number of shares of the Company's Common Stock as to which awards may be granted under the plan to 3,000,000 shares.

<TABLE>

<S>	<C>
Total Vote For the Proposal	12,200,202
Total Vote Against the Proposal	3,981,962
Abstentions	4,714

</TABLE>

(c) To ratify the selection by the Board of Directors of Ernst & Young LLP as the Company's independent public accountants for the fiscal year ending September 30, 1999.

<TABLE>

<S>	<C>
Total Vote For the Proposal	18,999,835
Total Vote Against the Proposal	1,327
Abstentions	1,914

</TABLE>

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. The Company filed a Current Report on Form 8-K dated February 26, 1999 reporting on the completion of the Company's combination with CSI. The Company filed an additional Current Report on Form 8-K dated March 26, 1999 providing supplemental financial statements and related supplemental financial information reflecting the Company's combination with CSI. The following financial statements were filed with the Form 8-K on March 26, 1999:

Supplemental Consolidated Balance Sheets as of September 30, 1997 and 1998;

Supplemental Consolidated Statements of Income for the years ended September 30, 1996, 1997 and 1998;

Supplemental Consolidated Statements of Changes in Redeemable Common Stock and Shareholders' Equity for the years ended September 30, 1996, 1997 and 1998;

Supplemental Consolidated Statements of Cash Flows for the years ended September 30, 1996, 1997 and 1998;

Notes to the Supplemental Consolidated Financial Statements for the years ended September 30, 1996, 1997 and 1998;

Supplemental Consolidated Balance Sheets as of December 31, 1998;

Supplemental Consolidated Statements of Income for the three months ended December 31, 1997 and 1998;

Supplemental Consolidated Statements of Cash Flows for the three months ended December 31, 1997 and 1998; and

Notes to the Supplemental Consolidated Financial Statements for the three months ended December 31, 1997 and 1998.

- 15 -

SIGNATURES

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

MAXIMUS, INC.

Date: May 14, 1999

By: /s/ F. Arthur Nerret

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

- 16 -

EXHIBIT INDEX

<TABLE>
<CAPTION>

Exhibit No.	Description
-----	-----
<S>	<C>
2	Agreement and Plan of Merger dated February 26, 1999 by and between MAXIMUS, Inc., Control Acquisition Corp., Control Software, Inc., James M. Paulits, John H. Hines, III, R. David Sadoo and John M. Ryan. Filed as Exhibit 2 to the Company's Current Report on Form 8-K (File No. 001-12997) filed with the Securities and Exchange Commission on March 4, 1999 and incorporated herein by reference.
10	Executive Employment, Non-Compete and Confidentiality Agreement by and between the Company and Thomas A. Grissen. Filed herewith.

27 Financial Data Schedules (EDGAR)

99 Important Factors Regarding Forward Looking Statements.
Filed herewith.

</TABLE>

EXECUTIVE EMPLOYMENT, NON-COMPETE
AND CONFIDENTIALITY AGREEMENT

THIS EXECUTIVE EMPLOYMENT, NON-COMPETE AND CONFIDENTIALITY AGREEMENT ("Agreement"), is entered into as of the date set forth on the signature page, by and between Thomas A. Grissen (the "Executive") and MAXIMUS, Inc., a Virginia corporation with its principal place of business in McLean, Virginia (the "Corporation") with reference to the following:

WHEREAS, the parties believe the Executive possesses the experience and capabilities to provide valuable service on behalf of the Corporation; and

WHEREAS, the Corporation desires to employ the Executive as President of the Government Operations Group; and

WHEREAS, the Executive desires to be employed by the Corporation at the salary, benefits and other terms and conditions specified herein.

NOW, THEREFORE, in consideration of these premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. EMPLOYMENT.

1.1 DUTIES. The Corporation hereby employs the Executive, and the Executive hereby accepts such employment, to serve as the President of the Corporation's Government Operations Group, reporting directly to David V. Mastran, the Chief Executive Officer of the Corporation. The Executive hereby represents and warrants that he is in good health and capable of performing the services required hereunder. The Executive shall perform such services and duties as are appropriate to such office or delegated to the Executive by the Chief Executive Officer. During the term of this Agreement, the Executive shall be a full-time employee of the Corporation and shall devote such time and attention to the discharge of his duties as may be necessary and appropriate to accomplish and complete such duties.

1.2 COMPENSATION.

(a) SALARY AND YEAR-END BONUS. As compensation for performance of his obligations hereunder, the Corporation shall pay the Executive a monthly salary of \$25,000, such salary to be reviewed annually for adjustment beginning on or about September 30, 1999. In addition, for the fiscal year ending September 30, 1999, the Executive will receive a combined bonus, consisting of 50% cash and 50% stock options, valued at between 30% and 70% of the Executive's actual earnings through September 30, 1999. Thereafter, the Executive will participate in the Corporation's annual bonus program, with any awards dependent on the performance of the Executive and the Corporation. A target cash bonus for the Executive would be \$100,000 for accomplishing his annual goals.

(b) STOCK OPTIONS. Upon the effective date of this Agreement, the Executive shall be awarded Incentive Stock Options (ISOs) to acquire 200,000 shares of MAXIMUS Common Stock in accordance with the MAXIMUS 1997 Equity Incentive Plan. Such ISOs shall have a strike price equal to the New York Stock Exchange closing price of MAXIMUS Common Stock as of February 10, 1999, a four-year vesting schedule, a ten-year term and such other terms and conditions as are included in the standard MAXIMUS Incentive Stock Option Agreement which will be subsequently executed by the parties. The Executive shall also be entitled to participate in stock option plans as currently exist or may be established by the Corporation from time to time. The Executive shall receive an annual stock option award equal to the value of his annual cash bonus as described above.

(c) VACATION, INSURANCE, EXPENSES, ETC. The Executive shall be entitled to 20 days accrual paid vacation per year, and such benefits, health, disability and life insurance and other benefits and expense reimbursements in a manner consistent with the Corporation's past practices and as are provided by the Corporation to its Chief Executive Officer.

1.3 TERM; TERMINATION. The term of the employment agreement set forth in this Section 1 shall be for a period commencing at the Effective Date and continuing for four (4) years thereafter (the "Scheduled Term") provided that this Agreement shall terminate:

(a) by mutual written consent of the parties;

(b) upon Executive's death or inability, by reason of physical or mental impairment, to perform substantially all of Executive's duties as contemplated herein for a continuous period of 120 days or more; or

(c) by the Corporation for cause, which shall mean the Executive's breach of any material duty or obligation hereunder, or intentional or grossly negligent misconduct that is materially injurious to the Corporation, as reasonably determined by the Corporation's Board of Directors, or willful failure to follow the reasonable directions of the Corporation's Board of Directors.

Upon any termination of employment under this Section 1.3, neither party shall have any obligation to the other pursuant to this Section 1, but such termination shall have no effect on the obligations of the parties under other provisions of this Agreement.

"Effective Date" shall mean March 1, 1999 or such earlier date as the Executive shall commence working for the Corporation.

1.4 SEVERANCE. The parties agree that in the event the Corporation terminates the Executive's employment without cause or the Executive terminates the employment for "good reason" prior to the expiration of the Scheduled Term, the Executive shall be entitled to receive salary and benefits (including the vesting of stock options) for the remainder of the Scheduled Term. "Good reason" shall mean (i) any action by the Corporation which results in a material diminution in the Executive's position (including status, titles, salary decrease or reporting requirements), authority, duties or responsibilities or (ii) a relocation of the Executive without his consent.

2

2. NON-COMPETITION.

2.1 UNDERTAKING. The Executive agrees that while the Executive is employed by the Corporation and for two (2) years following the termination of such employment, he will not, without the prior written consent of the Corporation, engage in Competition (as defined below) with the Corporation. For purposes of this Agreement, "Competition" means participating in the management of any business enterprise if such enterprise engages in substantial and direct competition with the Corporation and such enterprise's sales of any product or service competitive with any product or service of the Corporation amounted to 25% of such enterprise's net sales for its most recently completed fiscal year and if the Corporation's sales of said product or service amounted to 25% of the corporation's net sales for its most recently completed fiscal year. "Competition" will not include (i) the mere ownership of securities in any enterprise and exercise of rights appurtenant thereto or (ii) participation in management of any enterprise or business operation thereof other than in connection with the competitive operation of such enterprise.

2.2 OTHER PROHIBITED ACTIVITIES.

(a) The Executive agrees that, during his employment with the Corporation and for a period of two (2) years after the termination of such employment, the Executive will not engage in any Unethical Behavior which may adversely affect the Corporation. For the purpose of this Section 2.2, "Unethical Behavior" is defined as:

(i) any attempt, successful or unsuccessful, by the Executive to divert any existing or pending contracts or subcontracts from the Corporation to any other firm, whether or not affiliated with the Executive;

(ii) any attempt, successful or unsuccessful, by the Executive, to adversely influence clients of the Corporation or organizations with which the Corporation has an existing or pending contract or proposal;

(iii) any attempt, successful or unsuccessful, by the Executive to offer his services, or to influence any other employee of the Corporation to offer their services, to any firm to compete against the Corporation; or

(iv) any attempt, successful or unsuccessful, by the Executive to employ or offer employment to, or cause any other person to employ or offer employment to any other employee of the Corporation.

(b) The Executive agrees that, in addition to any other remedy available to the Corporation, in the event of a breach by the Executive of the terms of this Section 2 the Corporation may set off against any amounts due the Executive, an amount equal to the gross revenues which such Executive, or any entity with which the Executive is employed, affiliated or associated, receives or is entitled to receive, from any existing clients (or potential clients with whom a proposal is pending) of the Corporation during the two-year period provided in this Section 2.

3

(c) The Executive shall notify any new employer, partner, association or any other firm or corporation actually or potentially in competition with the Corporation with whom the Executive shall become associated in any capacity

whatsoever of the provisions of this Section 2 and the Executive agrees that the Corporation may give such notice to such firm, corporation or other person.

2.3 BUSINESS OPPORTUNITIES; CONFLICTS OF INTEREST; OTHER EMPLOYMENT AND ACTIVITIES OF THE EXECUTIVE.

(a) The Executive agrees promptly to advise the Corporation of, and provide the Corporation with an opportunity to pursue, all business opportunities that reasonably relate to the present business conducted by the Corporation.

(b) The Executive, in his capacity as an employee of the Corporation, shall not engage in any business with any member of the Executive's immediate family or with any person or business entity in which the Executive or any member of the Executive's immediate family has any ownership interest or financial interest, unless and until the Executive has first fully disclosed such interest to and received written consent from the Chief Executive Officer. As used herein, the term "immediate family" means the Executive's spouse, natural or adopted children, parents or siblings and the term "financial interest" means any relationship with such person or business entity that may monetarily benefit the Executive or member of the Executive's immediate family, including any lending relationship or the guarantying of any obligations of such person or business entity by the Executive or member of his immediate family.

(c) The parties hereto agree that the Executive may, consistent with this Section 2.3, receive and retain speaking fees, referral fees from business opportunities not accepted by the Corporation, and fees from outside business activities and opportunities of the Executive consented to by the Chief Executive Officer.

3. CONFIDENTIALITY. The Executive agrees that the Corporation's books, records, files and all other non-public information relating to the Corporation, its business, clients and employees are proprietary in nature and contain trade secrets and shall be held in strict confidence by the Executive, and shall not, either during the term of this Agreement or after the termination hereof, be disclosed, directly or indirectly, to any third party, except to the extent such disclosure is in furtherance of the Corporation's business or required by court order or other legal process. The trade secrets or other proprietary or confidential information referred to in the prior sentence includes, without limitation, all proposals to clients or potential clients, contracts, client or potential client lists, fee policies, financial information, administration or marketing practices or procedures and all other information regarding the business of the Corporation and its clients not generally known to the public.

4. MISCELLANEOUS.

4.1 NOTICES. All notices, requests, demands or other communications provided for in this Agreement shall be in writing and shall be delivered by hand, sent prepaid by overnight

4

delivery service or sent by the United States mail, certified, postage prepaid, return receipt request, to the following:

If to the Corporation:

MAXIMUS, Inc.
1356 Beverly Road
McLean, Virginia 22101
Attention: David V. Mastran

If to the Executive:

Thomas A Grissen
10903 Willow Creek Lane
Oakton, Virginia 22124

Any notice, request, demand or other communication delivered or sent in the foregoing manner shall be deemed given or made (as the case may be) upon the earliest of (i) the date it is actually received, (ii) the business-day after the day on which it is delivered by hand, (iii) the business day after the day on which it is properly delivered to Federal Express (or a comparable overnight delivery service), or (iv) the third business day after the date on which it is deposited in the United States mail. Either party may change its address by notifying the other party of the new address in any manner permitted by this paragraph.

4.2 REMEDIES. The parties agree and acknowledge that any violation by the Executive of the terms hereof may result in irreparable injury and damage to the Corporation or its clients, which will not adequately be compensable in monetary damages, that the Corporation will have no adequate remedy at law therefor, and that the Corporation may obtain such preliminary, temporary or permanent mandatory or restraining injunctions, orders or decrees as may be necessary to

protect it against, or on account of, any breach of the provisions contained in this Agreement.

4.3 NO OBLIGATION OF CONTINUED EMPLOYMENT. The Executive understands that this Agreement does not create an obligation on the part of the Corporation to continue the Executive's employment with the Corporation after the termination of this Agreement.

4.4 BENEFIT; ASSIGNMENT. This Agreement shall bind and inure to the benefit of the parties and their respective personal representatives, heirs, successors and assigns, provided this Agreement may not be assigned by either party without the consent of the other, except that the Corporation may assign this Agreement in connection with the merger, consolidation or sale of all or substantially all of its business or assets.

4.5 ENTIRE AGREEMENT. This Agreement supersedes all prior agreements, written or oral, with respect to the subject matter of this Agreement.

4.6 SEVERABILITY. In the event that any one or more of the provisions contained herein shall be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or

5

unenforceability shall not affect any other provisions of this Agreement, and all other provisions shall remain in full force and effect. If any of the provisions of this Agreement is held to be excessively broad, it shall be reformed and construed by limiting and reducing it so as to be enforceable to the maximum extent permitted by law.

4.7 WAIVERS. No delay or omission by the Corporation in exercising any right under this Agreement will operate as a waiver of that or any other right. A waiver or consent given by the Corporation on any occasion is effective only in that instance and will not be construed as a bar to or waiver of any right on any other occasion.

4.8 CAPTIONS. The captions of the various sections and paragraphs of this Agreement have been inserted only for the purpose of convenience; such captions are not a part of this Agreement and shall not be deemed in any manner to modify, explain, enlarge or restrict any of the provisions of this Agreement.

4.9 GOVERNING LAW. This Agreement shall in all events and for all purposes be governed by, and construed in accordance with, the laws of the Commonwealth of Virginia.

4.10 AMENDMENTS. No changes to this Agreement shall be binding unless in writing and signed by both the parties.

4.11 COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all such counterparts shall constitute one instrument.

THE EXECUTIVE HAS READ ALL OF THE PROVISIONS OF THIS AGREEMENT AND THE EXECUTIVE UNDERSTANDS, AND AGREES TO, EACH OF SUCH PROVISIONS. THE EXECUTIVE UNDERSTANDS THAT THIS AGREEMENT MAY AFFECT THE EXECUTIVE'S RIGHT TO ACCEPT EMPLOYMENT WITH OTHER COMPANIES SUBSEQUENT TO THE EXECUTIVE'S EMPLOYMENT WITH THE CORPORATION.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

EXECUTIVE

/s/ Thomas A. Grissen

Thomas A. Grissen

MAXIMUS, Inc.

By /s/ David V. Mastran

David V. Mastran
Chief Executive Officer

Date 2/10/99

6

AND CONFIDENTIALITY AGREEMENT

THIS AMENDMENT NO. 1 TO EXECUTIVE EMPLOYMENT, NON-COMPETE AND CONFIDENTIALITY AGREEMENT ("Amendment"), is entered into as of March 2, 1999, by and between Thomas A. Grissen (the "Executive") and MAXIMUS, Inc., a Virginia corporation with its principal place of business in McLean, Virginia (the "Corporation") with reference to the following:

WHEREAS, the parties entered into an Executive Employment, Non-Compete and Confidentiality Agreement dated February 10, 1999 ("Agreement"); and

WHEREAS, the parties desire to amend the Agreement as set forth herein.

NOW, THEREFORE, in consideration of these premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Section 1.2(b) of the Agreement is deleted in its entirety and replaced with the following:

STOCK OPTIONS. The Executive is awarded Incentive Stock Options (ISOs) to acquire 200,000 shares of MAXIMUS Common Stock in accordance with the MAXIMUS 1997 Equity Incentive Plan. Such ISOs shall have a strike price equal to the New York Stock Exchange closing price of MAXIMUS Common Stock as of February 23, 1999, the date such award was approved by the Board of Directors, a four-year vesting schedule, a ten-year term and such other terms and conditions as are included in the standard MAXIMUS Incentive Stock Option Agreement which will be subsequently executed by the parties. The Executive shall also be entitled to participate in stock option plans as currently exist or may be established by the Corporation from time to time. The Executive shall receive an annual stock option award equal to the value of his annual cash bonus as described above.

2. Except as described above, the Agreement shall remain in full force and effect in all other respects.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first above written.

EXECUTIVE

MAXIMUS, Inc.

/s/ Thomas A. Grissen

Thomas A. Grissen

By /s/ David V. Mastran

David V. Mastran
Chief Executive Officer

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<CHANGES>	0	0
<NET-INCOME>	12,268	6,404
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</TABLE>

IMPORTANT FACTORS REGARDING FORWARD LOOKING STATEMENTS

IN THIS EXHIBIT 99, "WE," "US," "OUR" AND "MAXIMUS" REFER TO MAXIMUS, INC. AND ITS SUBSIDIARIES.

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

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

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

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

RELIANCE ON GOVERNMENT CLIENTS

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

RISKS ASSOCIATED WITH GOVERNMENT CONTRACTING

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

CONTRACTS SUBJECT TO AUDIT. The Defense Contract Audit Agency ("DCAA"), and certain other government agencies, have the authority to audit and investigate any government contracts. These agencies review a contractor's performance on its contract, its pricing practices, its cost structure and its compliance with applicable laws, regulations and standards. Any costs found to be improperly allocated to a specific contract will not be reimbursed, while costs

already reimbursed must be refunded. Therefore, a DCAA audit could result in a substantial adjustment to our revenue. No material adjustments resulted from audits completed through 1993, and we believe that adjustments resulting from subsequent audits will not adversely affect our business. If a government audit uncovers improper or illegal activities, a contractor may be subject to civil

and criminal penalties and administrative sanctions, including termination of contracts, forfeitures of profits, suspension of payments, fines and suspension or disqualification from doing business with the government.

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

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

RISKS INVOLVED IN MANAGING GOVERNMENT PROJECTS

RISK OF FIXED-PRICE AND PERFORMANCE-BASED CONTRACTS. We derived approximately 18% of our fiscal 1998 revenues from fixed-price contracts and approximately 46% of our fiscal 1998 revenues from performance-based contracts. For fixed-price contracts, we receive our fee if we meet specified objectives or achieve certain units of work. Those objectives might include placing a certain number of welfare recipients into jobs, collecting target amounts of child support payments, or completing a particular number of managed care enrollments. For performance-based contracts, we receive our fee on a per-transaction basis. Such contracts include, for example, child support enforcement contracts, in which we often receive a fee based on the amount of child support collected. To earn a profit on these contracts, we rely upon accurately estimating costs involved and assessing the probability of meeting the specified objectives, realizing the expected units of work, or completing individual transactions, within the contracted time period. We recognize revenues on these contracts on a "costs incurred" method. Therefore, we review these contracts quarterly and adjust revenues to reflect our current expectations. These adjustments affect the timing and amount of revenue recognized and could adversely affect our financial results. If we fail to estimate accurately the factors upon which we base our contract pricing, then we may have to report a decrease in revenues or incur losses on these contracts.

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

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

RELATIONSHIPS WITH GOVERNMENT ENTITIES. To facilitate our ability to prepare bids in response to RFPs, we rely in part on establishing and maintaining relationships with officials of various government entities and agencies. These relationships enable us to provide informal input and advice to the government entities and agencies prior to the

development of an RFP. Because we cannot be certain that we will successfully manage our relationships with government entities and agencies, our business may be adversely affected.

SIGNIFICANT START UP COSTS. When we are awarded a contract to manage a government program, our Government Operations Group can incur significant start-up expenses before we receive any contract payments. These expenses include leasing office space, purchasing office equipment and hiring personnel.

As a result, in certain large contracts where the government does not fund program start-up costs, we are required to invest significant sums of money prior to receiving related contract payments.

LEGISLATIVE CHANGE AND POLITICAL DEVELOPMENTS

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

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

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

RISKS OF ACQUISITION STRATEGY; RISKS OF COMPLETED ACQUISITIONS

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

- - Diversion of management's attention
- - Loss of key personnel
- - Assumption of unanticipated legal liabilities
- - Amortization of acquired intangible assets
- - Dilution to our earnings per share

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

-3-

CHALLENGES RESULTING FROM GROWTH

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

OPPOSITION FROM GOVERNMENT UNIONS

Our success derives in part from our ability to win profitable contracts to administer and manage health and human services programs traditionally administered by government employees. Government employees, however, typically belong to labor unions with considerable financial resources and lobbying networks. Unions are likely to continue to apply political pressure on legislators and other officials seeking to outsource government programs. For

example, union lobbying was instrumental in influencing the Department of Health and Human Services to deny a petition to allow private corporations to make Food Stamp and Medicaid eligibility determinations in Texas. Union opposition may slow welfare reform and result in fewer opportunities for MAXIMUS to service government agencies.

RELIANCE ON KEY EXECUTIVES

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

ATTRACTION AND RETENTION OF EMPLOYEES

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

- - Experienced and innovative executive officers
- - Senior managers who have successfully managed or designed health and human services programs in the public sector
- - Information technology professionals who have designed or implemented complex information technology projects

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

COMPETITORS; EFFECTS OF COMPETITION

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

- - Local non-profit organizations such as the United Way and Goodwill Industries
- - Government services divisions of large organizations such as Andersen Consulting, Lockheed Martin Corporation and Electronic Data Systems, Inc.

-4-

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

Our Consulting Group competes with:

- - The consulting divisions of the "Big 5" accounting firms
- - Electronic Data Systems, Inc.

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

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

ADVERSE PUBLICITY

The nature of our contracts with state and local government authorities frequently generates media attention. In particular, our management of health

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

LITIGATION

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

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

-5-

condition or results of operations. However, given the early stage of this litigation, we cannot assure that we will be successful in our defense.

SUIT BY NETWORK SIX. We are currently defending a lawsuit that was commenced against us and other parties by Network Six, Inc. ("Network Six"). We had been engaged by the State of Hawaii to monitor the implementation of a statewide automated child support system being performed by Network Six. Network Six alleges that we tortiously interfered with and abetted Hawaii in the alleged breach of its contract with Hawaii. We believe that Network Six's claims are without merit and intend to defend this action vigorously. We do not believe that this action will have a material adverse effect on our financial condition or results of operations. Because this action is in the early stages of discovery, we cannot assure that we will be successful in defending this lawsuit.

VARIABILITY OF QUARTERLY OPERATING RESULTS

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

- - The progress of contracts
- - The levels of revenues earned on contracts (including any adjustments in expectations on revenue recognition on fixed-price contracts)
- - The commencement, completion or termination of contracts during any particular quarter
- - The schedules of government agencies for awarding contracts
- - The term of awarded contracts
- - The reactions of the market to announcements of potential acquisitions
- - General economic conditions

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

CONCENTRATION OF OWNERSHIP BY PRINCIPAL SHAREHOLDERS

Our executive officers beneficially own approximately 43% of our common stock. Certain executive officers, who beneficially own approximately 35% of the outstanding shares, have agreed to hold their shares until June 2001, subject to certain exceptions. In addition, Mr. Ruddy has agreed to vote his shares of common stock in a manner instructed by Dr. Mastran until September 30, 2001. Together, Dr. Mastran and Mr. Ruddy beneficially own approximately 32% of our common stock. As a result, these officers can exercise significant influence over the outcome of matters requiring a shareholder vote, including the election of the board of directors. This significant influence could delay or prevent a change in control of the company, which could adversely affect the market price of our common stock.

POSSIBLE VOLATILITY OF STOCK PRICE

MAXIMUS first publicly issued common stock on June 13, 1997 at \$16.00 per share in its initial public offering (the "IPO"). Between June 13, 1997 and March 31, 1999, the closing sale price has ranged from a high of \$41.50 per share to a low of \$17.00 per share. The market price of our common stock could continue to fluctuate substantially due to a variety of factors, including:

- Quarterly fluctuations in results of operations

-6-

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

- The termination by a government client of a material contract

- The announcement of new services by competitors

- Acquisitions and mergers

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

- Changes in earnings estimates by securities analysts

- Changes in accounting principles

- Sales of common stock by existing shareholders

- Negative publicity

- Loss of key personnel

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

CERTAIN ANTI-TAKEOVER EFFECTS

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

RISKS ASSOCIATED WITH YEAR 2000 COMPLIANCE

INTERNAL YEAR 2000 COMPLIANCE. We are auditing our internal software and hardware and the systems of our acquired companies for Year 2000 compliance and are implementing corrective actions where necessary. The MAXSTAR case management software used in all our major projects has been upgraded to be Year 2000 compliant. All MAXSTAR-based applications must also be reviewed and upgraded, where necessary, which is scheduled to be completed by July 31, 1999. Our telephone systems must also be Year 2000 compliant, which is also scheduled for

completion by July 31, 1999. We will continue to implement whatever remedial actions are necessary to make us Year 2000 compliant. We do not believe that remedial measures taken to correct any Year 2000 problems will materially impact our operations or financial results. However, if our remediation plans do not succeed, then we may experience adverse effects on our business. Furthermore, we cannot assure that the costs of remediation will not exceed our current estimates, or that our corrective actions will be completed before any Year 2000 problems occur.

SERVICES PROVIDED BY MAXIMUS AFFECTING CLIENTS' YEAR 2000 COMPLIANCE. We assist in evaluating, testing and certifying government client systems affected by Year 2000 problems. In addition, we provide quality assurance of Year 2000 compliance conversions performed by third parties for our clients. Although we have attempted to minimize our liability for potential clients' system failures, we cannot assure that we will not become subject to legal

-7-

action if a client sustains Year 2000 problems. If such legal action is brought and resolved against us, we could suffer adverse effects on our business.

RELIANCE ON VENDORS' AND CLIENTS' YEAR 2000 COMPLIANCE. In order to perform our government contracts, we rely to varying extents on information processing performed by vendors, governmental agencies and entities with which we contract. We have inquired about these parties' potential Year 2000 problems where necessary. Based on responses to these inquiries, our management believes that we would be able to continue to perform contracts without experiencing material negative financial impact. However, we cannot assure that Year 2000 related failures in the information systems of vendors or clients will not occur. Any system failures could interfere with our ability to properly manage contracted projects and could adversely affect our business.

UNCERTAINTIES RELATED TO INTERNATIONAL OPERATIONS

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

- - Adverse currency exchange rate fluctuations
- - Inability to collect receivables
- - Difficulty in enforcing contract terms through a foreign country's legal system

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