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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 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	54-1000588
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1356 BEVERLY ROAD MCLEAN, VIRGINIA	22101
(Address of principal executive offices)	(Zip Code)

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

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

Yes /X/ No / /

CLASS	OUTSTANDING AT AUGUST 4, 1999
Common Shares, No Par Value	20,984,215

MAXIMUS, INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 1999

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

<TABLE>
<CAPTION>

<S>	<C> September 30, 1998	<C> June 30, 1999 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19,403	$ 27,000
Marketable securities	13,577	60,745
Accounts receivable, net	72,251	74,005
Notes receivable	-	1,021
Costs and estimated earnings in excess of billings	10,654	14,040
Prepaid expenses and other current assets	1,188	3,264
Total current assets	117,073	180,075
Property and equipment at cost:		
Land	662	2,462
Building and improvements	1,721	7,921
Office furniture and equipment	7,703	9,539
Leasehold improvements	214	253
	10,300	20,175
Less: Accumulated depreciation and amortization	(5,433)	(5,779)
Total property and equipment, net	4,867	14,396
Notes receivable	-	2,042
Deferred income taxes	1,434	1,434
Intangible assets	1,035	6,830
Other assets	1,593	1,723
Total assets	$126,002	$206,500
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 10,006	$ 7,770
Accrued compensation and benefits	15,877	13,471
Billings in excess of costs and estimated earnings	11,608	15,200
Note payable	200	-
Income taxes payable	3	-
Deferred income taxes	901	901
Other current liabilities	-	339
Total current liabilities	38,595	37,681

Long-term debt	620	1,477
Total liabilities	39,215	39,158
Shareholders' equity:		
Common stock, no par value; 30,000,000 shares authorized; 18,925,029 and 20,975,353 shares issued and outstanding at September 30, 1998 and June 30, 1999, at stated amount	68,624	130,329
Retained earnings	18,163	37,013
Total shareholders' equity	86,787	167,342
Total liabilities and shareholders' equity	$126,002	$206,500

</TABLE>

See notes to financial statements.

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

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Nine Months Ended June 30,	
	1998	1999	1998	1999
Revenues	$64,234	$84,168	$170,587	$232,804
Cost of revenues	48,611	58,467	127,375	163,594
Gross profit	15,623	25,701	43,212	69,210
Selling, general and administrative expenses	7,381	13,932	24,448	37,977
Stock option compensation, merger, deferred compensation and ESOP expenses	1,972	152	3,346	270
Income from operations	6,270	11,617	15,418	30,963
Interest and other income	391	965	1,476	2,240
Income before income taxes	6,661	12,582	16,894	33,203
Provision for income taxes	2,549	5,131	6,378	13,484
Net income	$ 4,112	$ 7,451	$ 10,516	$19,719
Earnings per share:				
Basic	$ 0.23	$ 0.36	$ 0.61	$ 0.97

Diluted	$ 0.23	$ 0.35	$ 0.60	$ 0.95
Shares used in computing earnings per share:				
Basic	17,528	20,957	17,249	20,386
Diluted	17,919	21,257	17,640	20,731

</TABLE>

See notes to financial statements.

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

<TABLE>
<CAPTION>

	Nine Months Ended June 30,	
	1998	1999
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$10,516	$19,719
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	656	1,850
Change in assets and liabilities:		
Accounts receivable, net	(19,003)	(722)
Costs and estimated earnings in excess of billings	(97)	(3,393)
Prepaid expenses and other current assets	739	(2,029)
Deferred income taxes	(2,147)	-
Other assets	(321)	918
Accounts payable	2,907	(2,997)
Accrued compensation and benefits	(388)	(2,119)
Billings in excess of costs and estimated earnings	1,798	3,459
Income taxes payable	(2,125)	(3)
Other liabilities	156	996
Net cash (used in) provided by operating activities	(7,309)	15,679
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of real estate	-	(8,000)

	1999	1998
Acquisition of businesses	-	(9,645)
Increase in cash resulting from immaterial poolings	52	-
Purchase of property and equipment	(818)	(1,921)
Sale (Purchase) of marketable securities	25,989	(48,722)
Net cash provided by (used in) investing activities	25,223	(68,288)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from secondary offering, net of expenses	-	61,010
S Corporation distributions	(6,668)	(756)
Issuance of common stock	275	694
Payment for purchase of redeemable common stock	(188)	-
Repayment of debt	(2,784)	(773)
Net cash (used in) provided by financing activities	(9,365)	60,175
Net increase in cash and cash equivalents	8,549	7,566
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	$20,022	$27,000

</TABLE>

See notes to financial statements.

MAXIMUS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIODS ENDED JUNE 30, 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 nine-month periods ended June 30, 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. 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 March 16, 1998, the Company issued 840,000 shares of its common stock in exchange for all of the common stock of Spectrum Consulting Group, Inc. and an affiliated company. This merger was accounted for as an immaterial pooling of interests and accordingly, the Company's financial statements, including earnings per share, were not restated for periods prior to January 1, 1998.

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

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

On February 26, 1999, the Company issued 700,210 shares of its common stock in exchange for all of the outstanding common stock of Control Software, Inc. 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.

On June 1, 1999, the Company acquired Unison Consulting Group, Inc. for $7,074,000. In conjunction with the purchase, the Company recorded intangible assets of $4,979,000.

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.

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 Ended June 30,		Nine Months Ended June 30,	
	1998	1999	1998	1999
<S>	<C>	<C>	<C>	<C>
Numerator:				
Net income	$ 4,112	$ 7,451	$10,516	$19,719
Denominator:				
Denominator for basic earnings per share:				
Weighted average shares outstanding	17,528	20,957	17,249	20,386
Stock options	391	300	391	345
Denominator for dilutive earnings per share	17,919	21,257	17,640	20,731
Earnings per share:				
Basic	$ 0.23	$ 0.36	$ 0.61	$ 0.97
Diluted	$ 0.23	$ 0.35	$ 0.60	$ 0.95

</TABLE>

6. SEGMENT INFORMATION (QUARTER ENDED JUNE 30)

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

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Nine Months Ended June 30,	
	1998	1999	1998	1999
<S>	<C>	<C>	<C>	<C>
Revenues:				
Government Operations	$36,844	$47,427	$ 96,805	$128,788
Consulting	27,390	36,741	73,782	104,016
Total	$64,234	$84,168	$170,587	$232,804

</TABLE>

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Nine Months Ended June 30,	
	1998	1999	1998	1999
<S>	<C>	<C>	<C>	<C>
Income From Operations				
Government Operations	$ 3,132	$ 4,773	$ 7,207	$11,767
Consulting	3,138	6,844	8,211	19,196

Total	$ 6,270	$11,617	$15,418	$30,963

</TABLE>

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

OVERVIEW

The Company provides program management and consulting services primarily to government agencies in the United States. Founded in 1975, the Company has been profitable every year since inception. The Company conducts its operations through two groups, the Government Operations Group and the Consulting Group. The Government Operations Group administers and manages government health and human services programs, including

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

As an important part of the Company's growth strategy, it has completed combinations with the following 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, and Unison Consulting Group, Inc. ("Unison") in June 1999, accounted for as purchases. 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 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 two firms during 1999 accounted for as purchases.

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.

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.

On June 1, 1999, the Company acquired all of the outstanding shares of capital stock of Unison for $7,074,000. Unison, based in Chicago, Illinois, provides financial consulting for major government owned airports. In conjunction with the purchase, the Company recorded intangible assets of $4,979,000.

RESULTS OF OPERATIONS

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

	Three Months Ended June 30, 1998	Three Months Ended June 30, 1999	Nine Months Ended June 30, 1998	Nine Months Ended June 30, 1999
Revenues:				
Government Operations Group	57.4%	56.4%	56.8%	55.3%
Consulting Group	42.6	43.6	43.2	44.7
Total revenues	100.0	100.0	100.0	100.0
Gross Profit:				
Government Operations Group	17.6	20.0	18.3	19.3
Consulting Group	33.4	44.1	34.6	42.6
Total gross profit as a percent of revenue	24.3	30.5	25.3	29.7
Selling, general and administrative expenses	11.5	16.6	14.3	16.3
Stock option compensation, merger, deferred compensation and ESOP expenses	3.1	0.2	2.0	0.1
Income from operations	9.8	13.8	9.0	13.3
Interest and other income (expenses)	0.6	1.1	0.9	1.0
Income before income taxes	10.4	14.9	9.9	14.3
Provision for income taxes	4.0	6.1	3.7	5.8
Net income	6.4	8.9	6.2	8.5

THREE MONTHS ENDED JUNE 30, 1999 COMPARED TO THREE MONTHS ENDED JUNE 30, 1998

REVENUES. Total contract revenues increased 31.0% to $84.2 million for the three months ended June 30, 1999 as compared to $64.2 million for the same period in 1998. Government Operations Group revenues increased 28.7% to $47.4 million for the three months ended June 30, 1999 from $36.8 million for the same period in 1998. This increase was due to an increase in the number of contracts in three of the four divisions in the Government Operations Group. Consulting Group revenues increased 34.1% to $36.7 million for the three months ended June 30, 1999 from $27.4 million for the same period in 1998. The revenue from Carrera and Phoenix, which merged with MAXIMUS subsequent to June 1998 in mergers accounted for as immaterial poolings of interests, and for which the June 1998 quarter results were not restated, was $5.3 million for the June 1998 quarter. The revenue increase for the Consulting Group from the June 1998 quarter to the June 1999 quarter, including the $5.3 million from Carrera and Phoenix in the June 1998 quarter, was 12.5%. This increase was due to an increase in the number of contracts in the Consulting Group.

GROSS PROFIT. Total gross profit increased 64.5% to $25.7 million for the three months ended June 30, 1999 as compared to $15.6 million for the same period in 1998. Government Operations Group gross profit increased 46.4% to $9.5 million for the three months ended June 30, 1999 from $6.5 million for the three months ended June 30, 1998. As a percentage of Government Operations Group revenues, Government Operations Group gross profit increased to 20.0% for the three months ended June 30, 1999 from 17.6% 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 77.3% to $16.2 million for the three months ended June 30, 1999 from $9.1 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 44.1% for the three months ended June 30, 1999 from 33.4% for the same period in 1998, due primarily to improved operating efficiencies within the DMG and CSI divisions, and margins at the Carrera division which were greater than the

Group average margin, and which were not included in the June 1998 results as the merger occurred subsequent to that date.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Total selling, general and administrative ("SG&A") expenses increased 88.8% to $13.9 million for the three months ended June 30, 1999 as compared to $7.4 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 3,155 at June 30, 1999 from 2,682 at June 30, 1998. As a percentage of revenues, SG&A expenses increased to 16.6% for the three months ended June 30, 1999 from 11.5% 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 June 30, 1999, the Company incurred $0.2 million of expenses in connection with the combination with Unison. During the three months ended June 30, 1998, the Company incurred $2.0 million of expenses in connection with the merger with DMG. These expenses consisted of legal, audit, broker, trustee and other expenses, deferred compensation and ESOP plan expenses for the employees of DMG and the acceleration of expenses related to stock appreciation rights for DMG employees totaling $0.9 million. These plans were terminated after the merger with DMG, which occurred in May 1998. Therefore, no expense for those plans was incurred during the three months ended June 30, 1999.

INTEREST AND OTHER INCOME. The increase in interest and other income to $1.0 million for the three months ended June 30, 1999 as compared to $0.4 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 June 30, 1999 was 40.8% of income before income taxes as compared to 38.3% for the three months ended June 30, 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.

NINE MONTHS ENDED JUNE 30, 1999 COMPARED TO NINE MONTHS ENDED JUNE 30, 1998

REVENUES. Total contract revenues increased 36.5% to $232.8 million for the nine months ended June 30, 1999 as compared to $170.6 million for the same period in 1998. Government Operations Group revenues increased 33.0% to $128.8 million for the nine months ended June 30, 1999 from $96.8 million for the same period in 1998. This increase was due to an increase in the number of contracts in three of the four divisions in the Government Operations Group. Consulting Group revenues increased 41.0% to $104.0 million for the nine months ended June 30, 1999 from $73.8 million for the same period in 1998. The revenue from Spectrum, which merged with MAXIMUS in March 1998, and Carrera and Phoenix, which merged with MAXIMUS in August 1998 in mergers accounted for as immaterial poolings of interests, and for which the results for the periods prior to the mergers were not restated, was $13.7 million for the nine months ended June 1998. The revenue increase for the Consulting Group at the nine months ended June 1999 from the nine months ended June 1998, including the $13.7 million from Spectrum, Carrera and Phoenix in the nine months ended June 1998 was 18.9%. This increase was due to an increase in the number of contracts in the Consulting Group.

GROSS PROFIT. Total gross profit increased 60.2% to $69.2 million for the nine months ended June 30, 1999 as compared to $43.2 million for the same period in 1998. Government Operations Group gross profit increased 40.9% to $24.9 million for the nine months ended June 30, 1999 from $17.7 million for the nine months ended June 30, 1998. As a percentage of Government Operations Group revenues, Government Operations Group gross profit increased to 19.3% for the nine months ended June 30, 1999 from 18.3% for the same period in 1998. The increase was due primarily to the improvement in gross margin for the three months ended June 30, 1999. The Consulting Group gross profit increased 73.5% to $44.3 million for the nine months ended June 30, 1999 from $25.5 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 42.6% for the nine months ended June 30, 1999 from 34.6% for the same period in 1998, due primarily to improved operating efficiencies within the DMG and CSI divisions, and margins at the Carrera division which were greater than the Group average margin, and which were not included in the June 1998 results as the merger occurred subsequent to that date.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Total selling, general and administrative ("SG&A") expenses increased 55.3% to $38.0 million for the nine months ended June 30, 1999 as compared to $24.4 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 3,155 at June 30, 1999 from 2,682 at June 30, 1998. As a percentage of revenues, SG&A expenses increased to 16.3% for the nine months ended June 30, 1999 from 14.3% 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 nine months ended June 30, 1999, the Company incurred $0.3 million of expenses in connection with the combinations with CSI and Unison. During the nine months ended June 30, 1998, the Company incurred $3.3 million of expenses in connection with the mergers with Spectrum and DMG. These expenses consisted of legal, audit, broker, trustee and other expenses, deferred compensation and ESOP plan expenses for the employees of DMG and the acceleration of expenses related to stock appreciation rights for DMG employees totaling $0.9 million. These plans were terminated after the merger with DMG, which occurred in May 1998. Therefore, no expense for those plans was incurred during the nine months ended June 30, 1999.

INTEREST AND OTHER INCOME. The increase in interest and other income to $2.2 million for the nine months ended June 30, 1999 as compared to $1.5 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 which was completed in December 1998.

PROVISION FOR INCOME TAXES. The provision for income tax for the nine months ended June 30, 1999 was 40.6% of income before income taxes as compared to 37.8% for the nine months ended June 30, 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.

LIQUIDITY AND CAPITAL RESOURCES

For the nine months ended June 30, 1999, cash provided by operations was $15.7 million as compared to cash used in operations of $7.3 million for the nine months ended June 30, 1998. There are two principal reasons for the increase in cash provided by operations. First, net income increased to $19.7 million from $10.5 million . Second, the increase in accounts receivable, billed and unbilled, used $4.1 million of cash during the nine months ended June 30, 1999, whereas during the nine months ended June 30, 1998 the cash used by the increase in receivables was $19.1 million. Through effective collection efforts, receivables have been reduced to 95 days of sales outstanding at June 30, 1999 from 103 days of sales at September 30, 1998.

For the nine months ended June 30, 1999, cash used in investing activities was $68.3 million as compared to $25.2 million cash provided by investing activities for the nine months ended June 30, 1998. The $68.3 million used in investing activities for the nine months ended June 30, 1999 primarily consisted of the purchase of marketable securities totaling $48.7 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 , the purchase of Norman Roberts, an executive search firm, on March 31, 1999, for $1.9 million, and the purchase of Unison, a government consulting firm, on June 1, 1999, for $7.1 million.

Cash provided by financing during the nine months ended June 30, 1999 was $60.2 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 nine months ended June 30, 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 nine months ended June 30, 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 June 30, 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 nine months ended June 30, 1999 and 1998. At June 30, 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 has audited its internal software and hardware and implemented corrective actions where necessary to address Year 2000 problems. The Company has also reviewed the software and hardware of, and implemented corrective actions where necessary at its DMG, Carrera, Spectrum, Phoenix, CSI, and Unison divisions. Although the assessment and remediation efforts have been substantially completed, the Company continues to develop Year 2000 contingency plans in the event a service not in the control of the Company experiences processing problems or failures. The cost of these efforts has not been material and the Company does not anticipate that future costs will be material or will have a material impact on its operations or financial results. However, there can be no assurance that the corrective actions or contingency plans will eliminate all Year 2000 risk or that a Year 2000 problem will not have a material adverse effect on the Company.

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

The Company relies to varying extents on information processing performed by the governmental agencies and entities with which it contracts. The Company has inquired where necessary of such agencies and entities of potential Year 2000 problems, and, based on responses to such 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.

While the Company believes that it has addressed all material Year 2000 problems, there are a number of risks associated with Year 2000, only some of which are within the control of the Company. These risks include unforeseen difficulties in identifying and correcting Year 2000 problems, an incomplete audit of internal hardware and software, and the failure of one or more government clients to adequately address the Year 2000 problem. The Company's Year 2000 efforts are meant to help manage and mitigate these risks.

The Company is developing and intends to adopt contingency plans, if deemed necessary, to address any issues raised as it completes remedial work on its internal systems and assesses the state of readiness of its key external government clients. As no specific instance of material Year 2000 non-compliance has been discovered to date, the Company has not yet adopted any specific contingency plans to deal with Year 2000 issues.

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 June 30, 1999.

Part II. Other Information.

Item 2. 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 March 31, 1999, the Company used $44,737,000 of the net proceeds, which was reported in previous Forms 10-Q and 10-K filed with the SEC. During the quarter ended June 30, 1999, the Company used the remaining $9,067,000 of the net proceeds from the IPO. Of that amount, $7,074,000 was used to purchase the outstanding common stock of Unison Consulting Group, a consulting firm, on June 1, 1999, discussed in the footnotes to the financial statements contained in this Form 10-Q, and $1,993,000 was used to provide general operating capital.

Item 6. Exhibits and Reports on Form 8-K.

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

(b) Reports on Form 8-K. No Current Report on Form 8-K were filed by the Company during the fiscal quarter ended June 30, 1999.

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: August 13, 1999 By: /S/ F. ARTHUR NERRET

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

EXHIBIT INDEX

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Exhibit No.	Description
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27	Financial Data Schedules (EDGAR)
99	Important Factors Regarding Forward Looking Statements. Filed herewith.

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EXHIBIT 99

IMPORTANT FACTORS REGARDING FORWARD LOOKING STATEMENTS

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

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

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

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

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

RELIANCE ON GOVERNMENT CLIENTS

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

RISKS ASSOCIATED WITH GOVERNMENT CONTRACTING

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

CONTRACTS SUBJECT TO AUDIT. The Defense Contract Audit Agency ("DCAA"), and certain other government agencies, have the authority to audit and investigate any government contracts. These agencies review a contractor's performance on its contract, its pricing practices, its cost structure and its compliance with applicable laws, regulations and standards. Any costs found to be improperly allocated to a specific contract will not be reimbursed, while costs already reimbursed must be refunded. Therefore, a DCAA audit could result in a substantial adjustment to our revenue. No material

adjustments resulted from audits completed through 1993, and we believe that adjustments resulting from subsequent audits will not adversely affect our business. If a government audit uncovers improper or illegal activities, a contractor may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeitures of profits, suspension of payments, fines and suspension or disqualification from doing business with the government.

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

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

RISKS INVOLVED IN MANAGING GOVERNMENT PROJECTS

RISK OF FIXED-PRICE AND PERFORMANCE-BASED CONTRACTS. We derived approximately 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 seven consulting firms and are still in the process of integrating their operations. We cannot be certain that we will be able to continue to identify, acquire and manage additional businesses profitably or integrate them successfully without incurring substantial expenses, delays or other problems. Furthermore, business combinations may involve special risks, including:

- -- Diversion of management's attention

- -- Loss of key personnel

- -- Assumption of unanticipated legal liabilities

- -- Amortization of acquired intangible assets

- -- Dilution to our earnings per share

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

CHALLENGES RESULTING FROM GROWTH

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

OPPOSITION FROM GOVERNMENT UNIONS

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

RELIANCE ON KEY EXECUTIVES

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

ATTRACTION AND RETENTION OF EMPLOYEES

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

- -- Experienced and innovative executive officers

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

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

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

COMPETITORS; EFFECTS OF COMPETITION

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

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

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

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

Our Consulting Group competes with:

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

- -- Electronic Data Systems, Inc.

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

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

Competition by former employees could adversely affect our business.

ADVERSE PUBLICITY

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

LITIGATION

DMG 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 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, we cannot assure that we will be successful in defending this lawsuit.

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

SUIT BY NETWORK SIX. We are currently a third party defendant in a lawsuit that was commenced against us 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. However, 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 own beneficially approximately 42% 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 June 30, 1999, the closing sale price has ranged from a high of $41.50 per share to a low of $17.00 per share. The market price of our common stock could continue to fluctuate substantially due to a variety of factors, including:

- -- Quarterly fluctuations in results of operations

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

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

- -- The announcement of new services by competitors

- -- Acquisitions and mergers

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

- -- Changes in earnings estimates by securities analysts

- -- Changes in accounting principles

- -- Sales of common stock by existing shareholders

- -- Negative publicity

- -- Loss of key personnel

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

CERTAIN ANTI-TAKEOVER EFFECTS

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

RISKS ASSOCIATED WITH YEAR 2000 COMPLIANCE

INTERNAL YEAR 2000 COMPLIANCE. We have audited our internal software, hardware, and telephone systems and those of our acquired companies for Year

2000 compliance and have implemented corrective actions where necessary. The MAXSTAR case management software used in all our major projects has been upgraded to be Year 2000 compliant. All MAXSTAR-based applications have also been reviewed and upgraded, where necessary. Although our audit and remediation work has been substantially completed, we continue to monitor systems, infrastructure and vendor performance and to develop contingency plans where advisable. We are developing and intend to adopt contingency plans, if deemed necessary, to address any issues raised as we complete remedial work on our internal systems. As we have not discovered any specific instance of material Year 2000 non-compliance to date, we have not yet adopted any specific contingency plans to deal with Year 2000 issues. Our costs for these efforts have not been material and we do not expect future costs to materially affect our financial results. Nevertheless, we cannot be certain that all Year 2000 risks have been eliminated, and a Year 2000-related problem could have a material adverse impact on our business.

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

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. We are developing and intend to adopt contingency plans, if deemed necessary, to address any issues raised as we assess the state of readiness of our key external vendors and government clients. As we have not discovered any specific instance of material Year 2000 non-compliance to date, we have not yet adopted any specific contingency plans to deal with Year 2000 issues. 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.