

MAXIMUS INC  
Form 8-K  
October 03, 2008

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of Report: October 3, 2008**

**Date of Earliest Event Reported: October 3, 2008**

**MAXIMUS, INC.**

(Exact name of registrant as specified in its charter)

**Virginia**  
(State or other jurisdiction  
of incorporation)

**1-12997**  
(Commission  
File Number)

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

**11419 Sunset Hills Road,**  
**Reston, Virginia**  
(Address of principal executive offices)

**20190-5207**  
(Zip Code)

Registrant's telephone number, including area code: **(703) 251-8500**

**Not Applicable**

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(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  
  - o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  
  - o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  
  - o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

**Item 8.01 Other Events.**

On September 23, 2008, the Company announced that it had signed an asset purchase agreement for the sale of its Justice Solutions, Education Systems, and Asset Solutions divisions, which were previously reported as part of its Systems Segment, to Toronto-based Constellation Software, Inc. (TSX: CSU). The transaction closed on September 30, 2008. Beginning in the fourth quarter of fiscal 2008, the Company will classify the results of operations of these divisions as discontinued operations and the Enterprise Resource Planning (ERP) Solutions division will be incorporated into the Consulting Segment. Going forward, the Company will report financial results for its remaining Operations and Consulting Segments.

We are filing this Current Report on Form 8-K on October 3, 2008 to reclassify prior periods' financial information to conform to discontinued operations reporting and the incorporation of the ERP Solutions division into the Consulting Segment. The reclassifications have no impact on the previously reported consolidated net income or cash flows of the Company. This information is being provided for informational purposes only.

The Company reports its financial results in accordance with generally accepted accounting principles (GAAP). However, the Company uses certain non-GAAP performance measures including pro forma income before income taxes from continuing operations and pro forma diluted earnings per share from continuing operations to provide both management and investors a more complete understanding of the Company's underlying operational trends and results. The non-GAAP performance measures are reconciled to the corresponding GAAP measures in the schedule titled Supplemental Pro Forma Income before Income Taxes and Diluted Earnings per Share from Continuing Operations.

**SIGNATURES**



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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 hereunto duly authorized.

MAXIMUS, Inc.

Date: October 3, 2008

By:

/s/ David R. Francis  
David R. Francis  
General Counsel and Secretary

## MAXIMUS, Inc.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share data)

(Unaudited)

|   | Year             |                  |                  |                   |                   |                                    |                  |                  |            |
|---|------------------|------------------|------------------|-------------------|-------------------|------------------------------------|------------------|------------------|------------|
|   | Dec. 31,<br>2006 | Quarter Ended    |                  |                   | Sept. 30,<br>2007 | Year<br>Ended<br>Sept. 30,<br>2007 | Dec. 31,<br>2007 | Quarter Ended    |            |
|   |                  | Mar. 31,<br>2007 | Jun. 30,<br>2007 | Sept. 30,<br>2007 |                   |                                    | Mar. 31,<br>2008 | Jun. 30,<br>2008 |            |
| Revenue   | \$ 131,721       | \$ 150,827       | \$ 169,971       | \$ 173,712        | \$ 626,231        | \$ 177,089                         | \$ 189,611       | \$ 189,364       | \$ 556,064 |
| Cost of revenue   | 118,820          | 115,939          | 117,544          | 126,204           | 478,507           | 130,805                            | 137,748          | 136,576          | 405,129    |
| Gross profit  | 12,901           | 34,888           | 52,427           | 47,508            | 147,724           | 46,284                             | 51,863           | 52,788           | 150,935    |
| Selling, general and administrative expenses                    | 27,483           | 26,891           | 27,025           | 23,233            | 104,632           | 27,038                             | 28,762           | 28,949           | 84,749     |
| Gain on sale of building  |                  |                  |                  |                   |                   |                                    |                  | 3,938            | 3,938      |
| Gain (gain adjustment) on sale of Corrections Services business | 684              |                  | (233)            |                   | 451               |                                    |                  |                  |            |
| Legal and settlement expense                                    | 3,000            | 6,104            | 33,010           | 2,324             | 44,438            |                                    | 931              | 700              | 1,631      |
| Income (loss) from operations                                   | (16,898)         | 1,893            | (7,841)          | 21,951            | (895)             | 19,246                             | 22,170           | 27,077           | 68,493     |
| Interest and other income, net                                  | 477              | 1,615            | 1,131            | 2,581             | 5,804             | 1,501                              | 107              | 490              | 2,098      |
| Income (loss) before income taxes                               | (16,421)         | 3,508            | (6,710)          | 24,532            | 4,909             | 20,747                             | 22,277           | 27,567           | 70,591     |
| Provision (benefit) for income taxes                            | (5,901)          | 1,404            | 6,277            | 10,301            | 12,081            | 8,479                              | 8,788            | 10,271           | 27,538     |
| Income (loss) from continuing operations                        | (10,520)         | 2,104            | (12,987)         | 14,231            | (7,172)           | 12,268                             | 13,489           | 17,296           | 43,053     |
| Discontinued operations, net of income taxes:                   |                  |                  |                  |                   |                   |                                    |                  |                  |            |
| Income (loss) from discontinued operations                      | 125              | 258              | (1,404)          | (62)              | (1,083)           | (1,663)                            | (3,862)          | (7,617)          | (13,142)   |
| Gain on disposal  |                  |                  |                  |                   |                   |                                    |                  | 1,726            | 1,726      |
| Income (loss) from discontinued operations                      | 125              | 258              | (1,404)          | (62)              | (1,083)           | (1,663)                            | (3,862)          | (5,891)          | (11,416)   |
| Net income (loss)   | \$ (10,395)      | \$ 2,362         | \$ (14,391)      | \$ 14,169         | \$ (8,255)        | \$ 10,605                          | \$ 9,627         | \$ 11,405        | \$ 31,637  |
| Basic earnings (loss) per share:                                |                  |                  |                  |                   |                   |                                    |                  |                  |            |
| Income (loss) from continuing operations                        | \$ (0.49)        | \$ 0.10          | \$ (0.59)        | \$ 0.64           | \$ (0.33)         | \$ 0.60                            | \$ 0.73          | \$ 0.93          | \$ 2.24    |
| Income (loss) from discontinued operations                      | 0.01             | 0.01             | (0.06)           |                   | (0.05)            | (0.08)                             | (0.21)           | (0.32)           | (0.60)     |
| Basic earnings (loss) per share                                 | \$ (0.48)        | \$ 0.11          | \$ (0.65)        | \$ 0.64           | \$ (0.38)         | \$ 0.52                            | \$ 0.52          | \$ 0.61          | \$ 1.64    |
| Diluted earnings (loss) per share:                              |                  |                  |                  |                   |                   |                                    |                  |                  |            |
| Income (loss) from continuing operations                        | \$ (0.49)        | \$ 0.10          | \$ (0.59)        | \$ 0.63           | \$ (0.33)         | \$ 0.59                            | \$ 0.72          | \$ 0.92          | \$ 2.21    |
| Income (loss) from discontinued operations                      | 0.01             | 0.01             | (0.06)           |                   | (0.05)            | (0.08)                             | (0.21)           | (0.31)           | (0.59)     |

Not Applicable



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|                                      |    |        |    |        |    |        |    |        |    |        |    |        |    |        |    |        |    |        |
|--------------------------------------|----|--------|----|--------|----|--------|----|--------|----|--------|----|--------|----|--------|----|--------|----|--------|
| Diluted earnings (loss) per share    | \$ | (0.48) | \$ | 0.11   | \$ | (0.65) | \$ | 0.63   | \$ | (0.38) | \$ | 0.51   | \$ | 0.51   | \$ | 0.61   | \$ | 1.62   |
| Dividends per share                  | \$ | 0.10   | \$ | 0.10   | \$ | 0.10   | \$ | 0.10   | \$ | 0.40   | \$ | 0.10   | \$ | 0.10   | \$ | 0.10   | \$ | 0.30   |
| Weighted average shares outstanding: |    |        |    |        |    |        |    |        |    |        |    |        |    |        |    |        |    |        |
| Basic                                |    | 21,590 |    | 21,714 |    | 21,998 |    | 22,177 |    | 21,870 |    | 20,506 |    | 18,537 |    | 18,648 |    | 19,235 |
| Diluted                              |    | 21,590 |    | 21,972 |    | 21,998 |    | 22,554 |    | 21,870 |    | 20,854 |    | 18,763 |    | 18,819 |    | 19,471 |

## MAXIMUS, Inc.

## Segment Information - Income (loss) from Continuing Operations (1)

(Dollars in thousands)

(Unaudited)

|   | Dec. 31,<br>2006 | Quarter Ended<br>Mar. 31,<br>2007 | Jun. 30,<br>2007 | Sept. 30,<br>2007 | Year<br>Ended<br>Sept. 30,<br>2007 | Dec. 31,<br>2007 | Quarter Ended<br>Mar. 31,<br>2008 | Jun. 30,<br>2008 | Nine Months<br>Ended<br>Jun. 30,<br>2008 |
|---|------------------|-----------------------------------|------------------|-------------------|------------------------------------|------------------|-----------------------------------|------------------|--|
| <b>Revenue:</b>   |                  |                                   |                  |                   |                                    |                  |                                   |                  |  |
| Operations  | \$ 102,830       | \$ 121,391                        | \$ 140,277       | \$ 142,988        | \$ 507,486                         | \$ 146,807       | \$ 160,982                        | \$ 157,917       | \$ 465,706                               |
| Consulting  | 28,891           | 29,436                            | 29,694           | 30,724            | 118,745                            | 30,282           | 28,629                            | 31,447           | 90,358                                   |
| Total   | 131,721          | 150,827                           | 169,971          | 173,712           | 626,231                            | 177,089          | 189,611                           | 189,364          | 556,064                                  |
| <b>Gross Profit:</b>  |                  |                                   |                  |                   |                                    |                  |                                   |                  |  |
| Operations  | 1,045            | 23,901                            | 40,360           | 37,580            | 102,886                            | 35,557           | 42,166                            | 41,870           | \$ 119,593                               |
| Consulting  | 11,856           | 10,987                            | 12,067           | 9,928             | 44,838                             | 10,727           | 9,697                             | 10,918           | 31,342                                   |
| Total   | 12,901           | 34,888                            | 52,427           | 47,508            | 147,724                            | 46,284           | 51,863                            | 52,788           | 150,935                                  |
| <b>Selling, General, and Administrative expense:</b>            |                  |                                   |                  |                   |                                    |                  |                                   |                  |  |
| Operations  | 17,988           | 17,556                            | 16,913           | 14,814            | 67,271                             | 17,731           | 19,318                            | 19,025           | \$ 56,074                                |
| Consulting  | 9,638            | 9,449                             | 9,988            | 8,015             | 37,090                             | 8,948            | 9,201                             | 9,656            | 27,805                                   |
| Corporate/Other   | (143)            | (114)                             | 124              | 404               | 271                                | 359              | 243                               | 268              | 870                                      |
| Total   | 27,483           | 26,891                            | 27,025           | 23,233            | 104,632                            | 27,038           | 28,762                            | 28,949           | 84,749                                   |
| <b>Income (loss) from Operations: (1)</b>                       |                  |                                   |                  |                   |                                    |                  |                                   |                  |  |
| Operations  | (16,943)         | 6,345                             | 23,447           | 22,766            | 35,615                             | 17,826           | 22,848                            | 22,845           | \$ 63,519                                |
| Consulting  | 2,218            | 1,538                             | 2,079            | 1,913             | 7,748                              | 1,779            | 496                               | 1,262            | 3,537                                    |
| Consolidating adjustments                                       | 143              | 114                               | (124)            | (404)             | (271)                              | (359)            | (243)                             | (268)            | (870)                                    |
| Gain (gain adjustment) on sale of Corrections Services business | 684              |                                   | (233)            |                   | 451                                |                  |                                   |                  |  |
| Gain on sale of building  |                  |                                   |                  |                   |                                    |                  |                                   | 3,938            | 3,938                                    |
| Legal and settlement expense                                    | (3,000)          | (6,104)                           | (33,010)         | (2,324)           | (44,438)                           |                  | (931)                             | (700)            | (1,631)                                  |
| Consolidated total  | \$ (16,898)      | \$ 1,893                          | \$ (7,841)       | \$ 21,951         | \$ (895)                           | \$ 19,246        | \$ 22,170                         | \$ 27,077        | \$ 68,493                                |
| <b>Operating margin (loss) percentage:</b>                      |                  |                                   |                  |                   |                                    |                  |                                   |                  |  |
| Operations  | -16.5%           | 5.2%                              | 16.7%            | 15.9%             | 7.0%                               | 12.1%            | 14.2%                             | 14.5%            | 13.6%                                    |
| Consulting  | 7.7%             | 5.2%                              | 7.0%             | 6.2%              | 6.5%                               | 5.9%             | 1.7%                              | 4.0%             | 3.9%                                     |
| Consolidated total  | -12.8%           | 1.3%                              | -4.6%            | 12.6%             | -0.1%                              | 10.9%            | 11.7%                             | 14.3%            | 12.3%                                    |

(1) Before income taxes.

## MAXIMUS, Inc.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited)

|  | FISCAL YEAR 2007 |                  |                  |                   | FISCAL YEAR 2008 |                  |                  |
|--|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|
|  | Dec. 31,<br>2006 | Mar. 31,<br>2007 | Jun. 30,<br>2007 | Sept. 30,<br>2007 | Dec. 31,<br>2007 | Mar. 31,<br>2008 | Jun. 30,<br>2008 |
| <b>ASSETS</b>  |                  |                  |                  |                   |                  |                  |                  |
| Current assets:  |                  |                  |                  |                   |                  |                  |                  |
| Cash and cash equivalents  | \$ 21,964        | \$ 42,871        | \$ 91,105        | \$ 70,472         | \$ 62,279        | \$ 63,420        | \$ 77,944        |
| Marketable securities  | 141,811          | 134,409          | 123,737          | 126,210           | 50               |                  |                  |
| Restricted cash  | 312              | 324              | 323              | 325               | 325              | 327              | 327              |
| Accounts receivable billed   | 106,113          | 101,609          | 98,229           | 111,210           | 100,387          | 104,131          | 113,160          |
| Accounts receivable unbilled   | 14,811           | 17,173           | 18,501           | 19,782            | 27,860           | 33,029           | 33,078           |
| Current portion of note receivable                                   |                  |                  |                  |                   |                  |                  | 733              |
| Income taxes receivable  | 11,018           | 3,678            | 3,598            |                   |                  | 6,307            | 1,684            |
| Deferred income taxes  | 10,690           | 13,704           | 13,932           | 17,409            | 11,267           | 9,490            | 10,255           |
| Prepaid expenses and other current assets                            | 7,619            | 7,741            | 6,082            | 8,087             | 6,725            | 8,550            | 8,153            |
| Current assets of discontinued operations                            | 46,816           | 47,836           | 44,844           | 45,242            | 41,754           | 38,708           | 31,355           |
| Total current assets   | 361,154          | 369,345          | 400,351          | 398,737           | 250,647          | 263,962          | 276,689          |
| Property and equipment, at cost                                      | 62,779           | 64,810           | 67,871           | 73,199            | 75,580           | 76,733           | 78,380           |
| Less accumulated depreciation and amortization                       | (31,135)         | (33,408)         | (36,014)         | (38,870)          | (41,551)         | (44,021)         | (45,861)         |
| Property and equipment, net  | 31,644           | 31,402           | 31,857           | 34,329            | 34,029           | 32,712           | 32,519           |
| Capitalized software   | 12,727           | 13,340           | 14,054           | 14,848            | 15,768           | 16,886           | 18,567           |
| Less accumulated amortization  | (3,131)          | (3,425)          | (3,726)          | (4,018)           | (4,454)          | (4,887)          | (5,369)          |
| Capitalized software, net  | 9,596            | 9,915            | 10,328           | 10,830            | 11,314           | 11,999           | 13,198           |
| Deferred contract costs, net   | 9,758            | 8,482            | 8,368            | 8,116             | 7,712            | 6,273            | 5,435            |
| Goodwill   | 62,309           | 62,309           | 62,376           | 62,376            | 62,376           | 62,376           | 62,376           |
| Intangible assets, net   | 3,413            | 3,082            | 2,750            | 2,476             | 2,191            | 1,935            | 1,677            |
| Note receivable, net of deferred gain and interest income of \$3,969 |                  |                  |                  |                   |                  |                  | 1,639            |
| Other assets, net  | 3,252            | 2,994            | 2,574            | 2,366             | 3,429            | 3,488            | 3,611            |
| Noncurrent assets of discontinued operations                         | 48,287           | 47,270           | 46,042           | 45,234            | 44,380           | 43,524           | 39,819           |
| Total assets   | \$ 529,413       | \$ 534,799       | \$ 564,646       | \$ 564,464        | \$ 416,078       | \$ 426,269       | \$ 436,963       |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>                           |                  |                  |                  |                   |                  |                  |                  |
| Current liabilities:   |                  |                  |                  |                   |                  |                  |                  |
| Accounts payable   | 36,941           | 43,700           | 42,421           | 45,711            | 44,102           | 46,396           | 48,851           |
| Accrued compensation and benefits                                    | 18,708           | 20,354           | 23,399           | 24,569            | 21,690           | 24,090           | 25,436           |
| Current portion of deferred revenue                                  | 25,777           | 21,272           | 27,100           | 16,845            | 15,147           | 12,592           | 14,067           |
| Current portion of income taxes payable                              |                  |                  |                  | 5,487             | 1,422            |                  |                  |
| Current portion of capital lease obligations                         | 1,707            | 1,594            | 1,742            | 1,627             | 1,643            | 1,238            | 830              |
| Other accrued liabilities  | 1,071            | 796              | 31,786           | 1,387             | 983              | 996              | 1,037            |
| Current liabilities of discontinued operations                       | 33,411           | 32,411           | 30,612           | 35,966            | 35,004           | 31,856           | 26,901           |
| Total current liabilities  | 117,615          | 120,127          | 157,060          | 131,592           | 119,991          | 117,168          | 117,122          |
| Capital lease obligations, less current portion                      | 1,643            | 1,239            | 698              | 417               |                  |                  |                  |
| Deferred revenue, less current portion                               |                  |                  |                  | 10,143            | 10,213           | 9,361            | 9,061            |
| Income taxes payable, less current portion                           |                  |                  |                  |                   | 2,106            | 2,109            | 1,935            |
| Deferred income taxes  | 13,692           | 13,874           | 11,754           | 12,912            | 11,202           | 12,752           | 11,810           |
| Total liabilities  | 132,950          | 135,240          | 169,512          | 155,064           | 143,512          | 141,390          | 139,928          |
| Shareholders' equity:  |                  |                  |                  |                   |                  |                  |                  |
| Common stock   | 283,887          | 286,566          | 298,122          | 299,846           | 305,398          | 309,450          | 311,143          |
| Treasury stock   | (124,637)        | (124,637)        | (124,637)        | (124,637)         | (275,025)        | (275,025)        | (275,025)        |

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|  |            |            |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|------------|------------|
| Accumulated other comprehensive income     | 300        | 528        | 1,138      | 1,730      | 1,603      | 2,089      | 3,012      |
| Retained earnings                          | 236,913    | 237,102    | 220,511    | 232,461    | 240,590    | 248,365    | 257,905    |
| Total shareholders' equity                 | 396,463    | 399,559    | 395,134    | 409,400    | 272,566    | 284,879    | 297,035    |
| Total liabilities and shareholders' equity | \$ 529,413 | \$ 534,799 | \$ 564,646 | \$ 564,464 | \$ 416,078 | \$ 426,269 | \$ 436,963 |

## MAXIMUS, Inc.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

|   | Dec. 31,<br>2006 | Quarter Ended    |                  | Sept. 30,<br>2007 | Year<br>Ended<br>Sept. 30,<br>2007 | Dec. 31,<br>2007 | Quarter Ended    |                  | Nine Months<br>Ended<br>Jun. 30,<br>2008 |
|---|------------------|------------------|------------------|-------------------|------------------------------------|------------------|------------------|------------------|--|
|   |                  | Mar. 31,<br>2007 | Jun. 30,<br>2007 |                   |                                    |                  | Mar. 31,<br>2008 | Jun. 30,<br>2008 | Jun. 30,<br>2008                         |
| <b>Cash flows from operating activities:</b>                                  |                  |                  |                  |                   |                                    |                  |                  |                  |  |
| Net income (loss)   | \$ (10,395)      | \$ 2,362         | \$ (14,391)      | \$ 14,169         | \$ (8,255)                         | \$ 10,605        | \$ 9,627         | \$ 11,405        | \$ 31,637                                |
| Adjust to reconcile net income to net cash provided by operating activities:  |                  |                  |                  |                   |                                    |                  |                  |                  |  |
| (Income) loss from discontinued operations                                    | (125)            | (258)            | 1,404            | 62                | 1,083                              | 1,663            | 3,862            | 5,891            | 11,416                                   |
| Depreciation  | 2,079            | 2,274            | 2,606            | 2,930             | 9,889                              | 2,681            | 2,470            | 2,604            | 7,755                                    |
| Amortization  | 624              | 625              | 634              | 567               | 2,450                              | 719              | 691              | 739              | 2,149                                    |
| Deferred income taxes   | (5,098)          | (2,832)          | (2,347)          | (2,321)           | (12,598)                           | 4,195            | 3,327            | (1,707)          | 5,815                                    |
| (Gain) gain adjustment on sale of Corrections Services business               | (684)            |                  | 233              |                   | (451)                              |                  |                  |                  |  |
| Gain on sale of building  |                  |                  |                  |                   |                                    |                  |                  | (3,938)          | (3,938)                                  |
| Deferred interest income on note receivable                                   |                  |                  |                  |                   |                                    |                  |                  | 37               | 37                                       |
| Non-cash equity based compensation  | 1,018            | 505              | 773              | 1,666             | 3,962                              | 3,386            | 2,072            | 1,570            | 7,028                                    |
| Change in assets and liabilities, net of effects from divestitures:           |                  |                  |                  |                   |                                    |                  |                  |                  |  |
| Accounts receivable billed  | 3,057            | 4,505            | 3,380            | (12,981)          | (2,039)                            | 10,822           | (3,743)          | (9,029)          | (1,950)                                  |
| Accounts receivable unbilled  | 6,720            | (2,362)          | (1,328)          | (1,280)           | 1,750                              | (8,078)          | (5,169)          | (49)             | (13,296)                                 |
| Prepaid expenses and other current assets                                     | 252              | (122)            | 1,659            | (2,005)           | (216)                              | 1,362            | (1,824)          | 397              | (65)                                     |
| Deferred contract costs   | 1,407            | 1,276            | 114              | 252               | 3,049                              | 404              | 1,439            | 838              | 2,681                                    |
| Other assets  | 1,898            | 485              | 1,031            | 961               | 4,375                              | 104              | 178              | (7)              | 275                                      |
| Accounts payable  | (7,075)          | 6,759            | (1,279)          | 3,289             | 1,694                              | (1,608)          | 2,294            | 2,455            | 3,141                                    |
| Accrued compensation and benefits   | (1,776)          | 1,646            | 3,045            | 1,170             | 4,085                              | (2,879)          | 2,400            | 1,346            | 867                                      |
| Deferred revenue  | 1,043            | (4,505)          | 5,828            | (112)             | 2,254                              | (1,628)          | (3,407)          | 1,176            | (3,859)                                  |
| Income taxes  | (2,015)          | 7,340            | 80               | 9,085             | 14,490                             | (3,141)          | (7,966)          | 3,205            | (7,902)                                  |
| Other liabilities   | 867              | (289)            | 30,991           | (30,402)          | 1,167                              | (530)            | 498              | 965              | 933                                      |
| Cash provided by (used in) operating activities continuing operations         |                  |                  |                  |                   |                                    |                  |                  |                  |  |
|   | (8,203)          | 17,409           | 32,433           | (14,950)          | 26,689                             | 18,077           | 6,749            | 17,898           | 42,724                                   |
| Cash provided by (used in) operating activities discontinued operations       |                  |                  |                  |                   |                                    |                  |                  |                  |  |
|   | 15,829           | (7)              | 1,886            | 6,793             | 24,501                             | 2,712            | (2,245)          | (5,099)          | (4,632)                                  |
| Cash provided by (used in) operating activities                               |                  |                  |                  |                   |                                    |                  |                  |                  |  |
|   | 7,626            | 17,402           | 34,319           | (8,157)           | 51,190                             | 20,789           | 4,504            | 12,799           | 38,092                                   |
| <b>Cash flows from investing activities:</b>                                  |                  |                  |                  |                   |                                    |                  |                  |                  |  |
| Proceeds from sales of discontinued operations, net of transaction costs      |                  |                  |                  |                   |                                    |                  |                  | 4,643            | 4,643                                    |
| Proceeds from sale of Corrections Services business, net of transaction costs | 2,171            |                  | (300)            |                   | 1,871                              |                  |                  |                  |  |
|   |                  |                  |                  |                   |                                    |                  |                  | 5,929            | 5,929                                    |

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|   |           |           |           |           |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Proceeds from sale of building, net of transaction costs                  |           |           |           |           |           |           |           | 59        | 59        |
| Decrease in note receivable   |           |           |           |           |           |           |           |           |           |
| Purchases of property and equipment                                       | (1,735)   | (2,030)   | (3,062)   | (5,563)   | (12,390)  | (2,381)   | (1,153)   | (4,356)   | (7,890)   |
| Capitalized software costs  | (229)     | (613)     | (714)     | (794)     | (2,350)   | (920)     | (1,118)   | (1,681)   | (3,719)   |
| (Increase) decrease in marketable securities                              | (24,496)  | 7,402     | 10,672    | (2,473)   | (8,895)   | 126,160   | 50        |           | 126,210   |
| Cash provided by (used in) investing activities - continuing operations   | (24,289)  | 4,759     | 6,596     | (8,830)   | (21,764)  | 122,859   | (2,221)   | 4,594     | 125,232   |
| Cash (used in) investing activities - discontinued operations             | (258)     | (862)     | (836)     | (1,134)   | (3,090)   | (782)     | (784)     | (693)     | (2,259)   |
| Cash provided by (used in) investing activities                           | (24,547)  | 3,897     | 5,760     | (9,964)   | (24,854)  | 122,077   | (3,005)   | 3,901     | 122,973   |
| <b>Cash flows from financing activities:</b>                              |           |           |           |           |           |           |           |           |           |
| Employee stock transactions   | 1,526     | 1,892     | 8,389     | 1,146     | 12,953    | 1,655     | 1,619     | 90        | 3,364     |
| Repurchases of common stock   |           |           |           |           |           | (150,388) |           |           | (150,388) |
| Payments on capital lease obligations                                     | (384)     | (517)     | (393)     | (396)     | (1,690)   | (401)     | (404)     | (408)     | (1,213)   |
| Tax benefit due to option exercises and restricted stock units vesting    | 357       | 405       | 2,359     | (1,043)   | 2,078     | 297       | 279       | 7         | 583       |
| Cash dividends paid   | (2,159)   | (2,172)   | (2,200)   | (2,219)   | (8,750)   | (2,222)   | (1,852)   | (1,865)   | (5,939)   |
| Cash provided by (used in) financing activities - continuing operations   | (660)     | (392)     | 8,155     | (2,512)   | 4,591     | (151,059) | (358)     | (2,176)   | (153,593) |
| Cash provided by (used in) financing activities - discontinued operations |           |           |           |           |           |           |           |           |           |
| Cash provided by (used in) financing activities                           | (660)     | (392)     | 8,155     | (2,512)   | 4,591     | (151,059) | (358)     | (2,176)   | (153,593) |
| Net increase (decrease) in cash and cash equivalents                      | (17,581)  | 20,907    | 48,234    | (20,633)  | 30,927    | (8,193)   | 1,141     | 14,524    | 7,472     |
| Cash and cash equivalents, beginning of period                            | 39,545    | 21,964    | 42,871    | 91,105    | 39,545    | 70,472    | 62,279    | 63,420    | 70,472    |
| Cash and cash equivalents, end of period                                  | \$ 21,964 | \$ 42,871 | \$ 91,105 | \$ 70,472 | \$ 70,472 | \$ 62,279 | \$ 63,420 | \$ 77,944 | \$ 77,944 |

## MAXIMUS, Inc.

## Supplemental Pro Forma Income before Income Taxes and Diluted Earnings per Share from Continuing Operations

(Dollars in thousands, except per share data)

(Unaudited)

|  | Dec. 31,<br>2006 | Quarter Ended    |                  | Sept. 30,<br>2007 | Year<br>Ended<br>Sept. 30,<br>2007 | Dec. 31,<br>2007 | Quarter Ended    |                  | Nine Months<br>Ended<br>Jun. 30,<br>2008 |
|--|------------------|------------------|------------------|-------------------|------------------------------------|------------------|------------------|------------------|--|
|  |                  | Mar. 31,<br>2007 | Jun. 30,<br>2007 |                   |                                    |                  | Mar. 31,<br>2008 | Jun. 30,<br>2008 | Jun. 30,<br>2008                         |
| Income (loss) before income taxes from continuing operations - GAAP basis        | \$ (16,421)      | \$ 3,508         | \$ (6,710)       | \$ 24,532         | \$ 4,909                           | \$ 20,747        | \$ 22,277        | \$ 27,567        | \$ 70,591                                |
| <b>Add backs:</b>  |                  |                  |                  |                   |                                    |                  |                  |                  |  |
| Texas subcontract loss (income)  | \$ 23,990        | \$ 4,983         | \$ (3,588)       | \$ (220)          | \$ 25,165                          | \$               | \$               | \$               | \$                                       |
| Ontario project loss   | 4,200            |                  |                  |                   | 4,200                              |                  |                  |                  |  |
| Legal and settlement expense   | 3,000            | 6,104            | 33,010           | 2,324             | 44,438                             |                  | 931              | 700              | 1,631                                    |
| Settlement on legacy claiming project  |                  |                  |                  |                   |                                    |                  | 2,300            |                  | 2,300                                    |
| (A) Subtotal add backs   | \$ 31,190        | \$ 11,087        | \$ 29,422        | \$ 2,104          | \$ 73,803                          | \$               | \$ 3,231         | \$ 700           | \$ 3,931                                 |
| <b>Deductions:</b>   |                  |                  |                  |                   |                                    |                  |                  |                  |  |
| Gain on sale of building   | \$               | \$               | \$               | \$                | \$                                 | \$               | \$               | \$ (3,938)       | \$ (3,938)                               |
| Gain (gain adjustment) on sale of Corrections Services business                  | (684)            |                  | 233              |                   | (451)                              |                  |                  |                  |  |
| Pre-Accelerated Share Repurchase (ASR) interest income                           | (1,041)          | (1,219)          | (1,238)          | (1,562)           | (5,060)                            | (913)            |                  |                  | (913)                                    |
| (B) Subtotal deductions  | \$ (1,725)       | \$ (1,219)       | \$ (1,005)       | \$ (1,562)        | \$ (5,511)                         | \$ (913)         | \$               | \$ (3,938)       | \$ (4,851)                               |
| Net impact of pro forma adjustments (A+B)  | \$ 29,465        | \$ 9,868         | \$ 28,417        | \$ 542            | \$ 68,292                          | \$ (913)         | \$ 3,231         | \$ (3,238)       | \$ (920)                                 |
| Pro forma income before income taxes from continuing operations - Non-GAAP basis | \$ 13,044        | \$ 13,376        | \$ 21,707        | \$ 25,074         | \$ 73,201                          | \$ 19,834        | \$ 25,508        | \$ 24,329        | \$ 69,671                                |
| Diluted earnings (loss) per share from continuing operations - GAAP basis        | \$ (0.49)        | \$ 0.10          | \$ (0.59)        | \$ 0.63           | \$ (0.33)                          | \$ 0.59          | \$ 0.72          | \$ 0.92          | \$ 2.21                                  |
| <b>Add backs:</b>  |                  |                  |                  |                   |                                    |                  |                  |                  |  |
| Texas subcontract loss (income)  | \$ 0.63          | \$ 0.13          | \$ (0.09)        | \$ (0.01)         | \$ 0.65                            | \$               | \$               | \$               | \$                                       |
| Ontario project loss   | 0.11             |                  |                  |                   | 0.11                               |                  |                  |                  |  |
| Legal and settlement expense   | 0.08             | 0.16             | 1.30             | 0.06              | 1.61                               |                  | 0.03             | 0.02             | 0.05                                     |
| Settlement on legacy claiming project  |                  |                  |                  |                   |                                    |                  | 0.07             |                  | 0.07                                     |
| (A) Subtotal add backs   | \$ 0.82          | \$ 0.29          | \$ 1.21          | \$ 0.05           | \$ 2.37                            | \$               | \$ 0.10          | \$ 0.02          | \$ 0.12                                  |
| <b>Deductions:</b>   |                  |                  |                  |                   |                                    |                  |                  |                  |  |
| Gain on sale of building   | \$               | \$               | \$               | \$                | \$                                 | \$               | \$               | \$ (0.13)        | \$ (0.12)                                |
| Gain (gain adjustment) on sale of Corrections Services business                  | (0.02)           |                  | 0.01             |                   | (0.01)                             |                  |                  |                  |  |
| Pre-Accelerated Share Repurchase (ASR) interest income                           | (0.03)           | (0.03)           | (0.03)           | (0.04)            | (0.13)                             | (0.03)           |                  |                  | (0.03)                                   |
| (B) Subtotal deductions  | \$ (0.05)        | \$ (0.03)        | \$ (0.02)        | \$ (0.04)         | \$ (0.14)                          | \$ (0.03)        | \$               | \$ (0.13)        | \$ (0.15)                                |
| Net impact of pro forma adjustments (A+B)  | \$ 0.77          | \$ 0.26          | \$ 1.19          | \$ 0.01           | \$ 2.23                            | \$ (0.03)        | \$ 0.10          | \$ (0.11)        | \$ (0.03)                                |
|  | \$ 0.28          | \$ 0.36          | \$ 0.60          | \$ 0.64           | \$ 1.90                            | \$ 0.56          | \$ 0.82          | \$ 0.81          | \$ 2.18                                  |

Not Applicable

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Pro forma diluted earnings per share  
from continuing operations -  
Non-GAAP basis

|  |        |        |        |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Weighted average diluted shares<br>outstanding | 21,590 | 21,972 | 21,998 | 22,554 | 21,870 | 20,854 | 18,763 | 18,819 | 19,471 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|

Note 1: Year ended September 30, 2007 and nine months ended June 30, 2008 differences from the sum of the quarters is due to weighted average diluted shares outstanding and/or rounding.

Note 2: The year ended September 30, 2007 annual effective tax rate was applied to each quarter in fiscal year 2007.