

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

FORM 10-Q

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

For the Quarterly Period Ended September 30, 1999

OR

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

Commission File Number 0-26762

PEDIATRIX MEDICAL GROUP, INC.
(Exact name of registrant as specified in its charter)

Florida

65-0271219

(State or other jurisdiction of incorporation (I.R.S. Employer Identification No.)
or organization)

1455 North Park Drive
Ft. Lauderdale, Florida 33326
(Address of principal executive offices)
(Zip Code)

(954) 384-0175
(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and fiscal year, if changed since last report)

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 such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

At November 7, 1999, the Registrant had 15,575,185 shares of \$0.01 par value common stock outstanding.

PEDIATRIX MEDICAL GROUP, INC.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PEDIATRIX MEDICAL GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 1999 (Unaudited)	December 31, 1998
	-----	-----
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 442	\$ 650
Accounts receivable, net.....	77,823	61,599
Prepaid expenses.....	639	682
Income taxes receivable.....	3,577	--
Other current assets.....	984	769
	-----	-----
Total current assets.....	83,465	63,700
Property and equipment, net.....	13,405	11,942
Other assets, net.....	242,819	195,016
	-----	-----
Total assets.....	\$ 339,689	\$ 270,658
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses.....	\$ 32,211	\$ 30,043
Income taxes payable.....	--	3,938
Line of credit.....	56,793	--
Current portion of note payable.....	200	200
Deferred income taxes.....	19,042	14,604
	-----	-----
Total current liabilities.....	108,246	48,785
Line of credit.....	--	7,850
Note payable.....	2,200	2,350
Deferred income taxes.....	4,024	3,327
Deferred compensation.....	2,137	953
	-----	-----
Total liabilities.....	116,607	63,265
Minority interest.....	--	6,342
Commitments and contingencies		
Stockholders' equity:		
Preferred stock.....	--	--
Common stock.....	155	154
Additional paid-in capital.....	132,703	130,720
Retained earnings.....	90,224	70,177
	-----	-----
Total stockholders' equity.....	223,082	201,051
	-----	-----
Total liabilities and stockholders' equity.	\$ 339,689	\$ 270,658
	=====	=====

The accompanying notes are an integral part of
these financial statements

PEDIATRIX MEDICAL GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
	(in thousands, except for per share data)			
Net patient service revenue	\$ 57,921	\$ 49,351	\$ 168,514	\$ 133,303
Operating expenses:				
Salaries and benefits	39,329	30,334	109,040	82,478
Supplies & other operating expenses	5,774	3,575	15,376	9,663
Depreciation and amortization	3,168	2,372	8,805	6,185
Total operating expenses	48,271	36,281	133,221	98,326
Income from operations	9,650	13,070	35,293	34,977
Investment income	59	38	211	529
Interest expense	(964)	(392)	(1,656)	(743)
Income before income taxes ...	8,745	12,716	33,848	34,763
Income tax provision	3,760	5,086	13,801	13,907
Net income	\$ 4,985	\$ 7,630	\$ 20,047	\$ 20,856
Per share data:				
Net income per common and common equivalent share:				
Basic	\$.32	\$.50	\$ 1.30	\$ 1.37
Diluted	\$.32	\$.48	\$ 1.27	\$ 1.31
Weighted average shares used in computing net income per common and common equivalent share:				
Basic	15,502	15,256	15,438	15,214
Diluted	15,724	15,971	15,846	15,904

The accompanying notes are an integral part of
these financial statements

PEDIATRIX MEDICAL GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Nine Months Ended
September 30,

	1999	1998
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ 20,047	\$ 20,856
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization	8,805	6,185
Deferred income taxes	5,135	6,174
Changes in assets and liabilities:		
Accounts receivable	(16,224)	(18,731)
Prepaid expenses and other current assets	(234)	(295)
Other assets	(10)	202
Accounts payable and accrued expenses	3,598	7,416
Income taxes	(6,877)	(39)
Net cash provided from operating activities	14,240	21,768
Cash flows used in investing activities:		
Physician group acquisition payments	(50,629)	(81,989)
Purchase of investments	--	(9,939)
Proceeds from sale of investments	--	36,982
Purchase of subsidiary stock	(17,151)	--
Purchase of property and equipment	(2,813)	(2,803)
Net cash used in investing activities	(70,593)	(57,749)
Cash flows from financing activities:		
Borrowings on line of credit, net	48,943	15,275
Payments on note payable	(150)	(150)
Proceeds from issuance of common stock	1,595	2,903
Proceeds from issuance of subsidiary stock	5,757	--
Net cash provided from financing activities	56,145	18,028
Net decrease in cash and cash equivalents	(208)	(17,953)
Cash and cash equivalents at beginning of period	650	18,562
Cash and cash equivalents at end of period	\$ 442	\$ 609

The accompanying notes are an integral part of
these financial statements

PEDIATRIX MEDICAL GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 1999

(Unaudited)

1. Basis of Presentation:

The accompanying unaudited condensed consolidated financial statements of Pediatrix Medical Group, Inc. (the "Company" or "Pediatrix") presented herein have been prepared in accordance with interim financial reporting instructions to Form 10-Q and Article 10 of Regulation S-X, and accordingly, do not include all disclosures required by generally accepted accounting principles for complete financial statements. In the opinion of management, these financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of interim periods.

The results of operations for the three and nine months ended September 30, 1999 are not necessarily indicative of the results of operations to be expected for the year ended December 31, 1999. The interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 24, 1999.

Certain prior year amounts have been reclassified to conform to the 1999 presentation.

2. Business Acquisitions:

During the first nine months of 1999, the Company completed the acquisition of ten physician group practices. Total consideration for acquisitions approximated \$50.6 million in cash and 1,000,000 shares of stock in a subsidiary of the Company.

The Company has accounted for the acquisitions using the purchase method of accounting and the excess of cost over fair value of net assets acquired is being amortized on a straight-line basis over 25 years. The results of operations of the acquired practices have been included in the consolidated financial statements from the dates of acquisition.

The following unaudited pro forma information combines the consolidated results of operations of the Company and the physician group practices acquired during 1998 and 1999 as if the acquisitions had occurred on January 1, 1998:

	Nine Months Ended September 30,	
	1999	1998
	(in thousands, except for per share data)	
Net patient service revenue	\$ 177,214	\$ 166,366
Net income	20,361	22,159
Net income per share:		
Basic	1.32	1.46
Diluted	1.28	1.39

(Unaudited)

2. Business Acquisitions, Continued:

The pro forma results do not necessarily represent results which would have occurred if the acquisitions had taken place at the beginning of the period, nor are they indicative of the results of future combined operations.

Historically, the Company has capitalized certain incremental internal costs directly related to completed acquisitions. Effective January 1, 1999, the Company expensed these costs as incurred. For the three and nine months ended September 30, 1999, such costs totaled approximately \$35,000 and \$682,000, respectively.

3. Accounts Payable and Accrued Expenses:

Accounts payable and accrued expenses consist of the following:

	September 30, 1999	December 31, 1998
	-----	-----
	(in thousands)	
Accounts payable.....	\$ 12,974	\$ 10,373
Accrued salaries and bonuses.....	4,167	6,433
Accrued payroll taxes and benefits.....	5,108	4,465
Accrued professional liability coverage....	6,850	6,866
Other accrued expenses.....	3,112	1,906
	-----	-----
	\$ 32,211	\$ 30,043
	=====	=====

4. Net Income Per Share:

Basic net income per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share is calculated by dividing net income by the weighted average number of common and potential common shares outstanding during the period. Potential common shares consist of the dilutive effect of outstanding options calculated using the treasury stock method.

5. Comprehensive Income:

For the quarters ended September 30, 1999 and 1998, comprehensive income was \$5.0 million and \$7.6 million, respectively. For the nine months ended September 30, 1999 and 1998, comprehensive income was \$20.0 million and \$20.8 million, respectively.

(Unaudited)

6. Contingencies:

During the ordinary course of business, the Company has become a party to pending and threatened legal actions and proceedings, most of which involve claims of medical malpractice and are generally covered by insurance. These lawsuits are not expected to result in judgments which would exceed professional liability insurance coverage, and therefore will not have a material impact on the Company's consolidated results of operations, financial position or liquidity, notwithstanding any possible insurance recovery.

In February 1999, the first of several federal securities law class actions was commenced against the Company and three of its principal officers in United States District Court for the Southern District of Florida. Plaintiffs are shareholders purporting to represent a class of all open market purchasers of the Company's common stock between April 28, 1998, and various dates through and including April 1, 1999. They claim that during that period the Company violated the antifraud provisions of the federal securities laws by issuing false and misleading statements concerning its accounting practices and financial results, focusing in particular on the capitalization of certain payments made to employees in connection with acquisitions and revenue recognition in light of recent inquiries initiated by state investigators into the Company's billing practices. The complaints seek damages in an undetermined amount based on the alleged decline in the value of the common stock after the Company disclosed the capitalization issue and the inquiries by state investigators. On June 24, 1999, the Judge in the United States District Court for the Southern District of Florida entered an Order of Consolidation consolidating into one case the several federal securities law class action lawsuits. Therefore, the Judge entered two Orders in the case. The first Order granted the motion made by the three public pension funds to be appointed as lead plaintiffs and to have their counsel appointed as lead plaintiffs' counsel. The second Order set the administrative mechanism for handling the consolidated cases, including the time limitations for the filing of a Consolidated Amended Complaint by plaintiffs and a responsive pleading by defendants. Plaintiffs filed a Consolidated Amended Class Action Complaint on August 20, 1999. On October 7, 1999, the Company filed a Motion to Dismiss the Consolidated Amended Complaint. Plaintiffs filed an answering memorandum on November 5, 1999, and the Company's reply memorandum is due on November 22, 1999. The Company continues to believe that the claims are without merit and intends to defend them vigorously at the appropriate time.

In April 1999, the Company received requests, and in one case a subpoena, from investigators in Arizona, Colorado and Florida for information related to its billing practices. The Company is fully cooperating with these inquiries. Although the Company believes that its billing practices are proper, the investigations are ongoing and the Company is unable to predict at this time whether they will have any material adverse effect on the Company's business, financial condition or results of operations.

7. Subsidiary Stock Purchase:

In July 1999, the Company purchased shares of common stock in a subsidiary company for approximately \$17.7 million. The minority shares purchased were held by certain officers and employees of the Company and represented approximately 23.5% of all outstanding shares of the subsidiary. The Company has accounted for the transaction using the purchase method of accounting and the excess of cost over the book value of the shares acquired of \$3.6 million is being amortized on a straight-line basis over 25 years. As a result of the purchase, the subsidiary is wholly-owned by the Company.

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

RESULTS OF OPERATIONS

Results of Operations

Three Months Ended September 30, 1999 as Compared to Three Months Ended September 30, 1998

The Company reported net patient service revenue of \$57.9 million for the three months ended September 30, 1999, as compared with \$49.4 million for the same period in 1998, a growth rate of 17.4%. This growth is attributable to new units at which the Company provides services as a result of acquisitions. Same unit patient service revenue decreased \$3.5 million, or 7.1%, for the three months ended September 30, 1999. The decline in same unit patient service revenue is primarily the result of a lower acuity level of patient service billed in the three months ended September 30, 1999 as compared to the same period in 1998. Same units are those units at which the Company provided services for the entire current period and the entire comparable period.

Salaries and benefits increased \$9.0 million, or 29.7% to \$39.3 million for the three months ended September 30, 1999, as compared with \$30.3 million for the same period in 1998. Of this \$9.0 million increase, \$5.3 million, or 58.9%, was attributable to hiring new physicians, primarily to support new unit growth, and the remaining \$3.7 million was primarily attributable to increased support staff and resources added in the areas of nursing, management and billing and reimbursement and certain internal costs directly related to completed acquisitions that had historically been capitalized. Supplies and other operating expenses increased \$2.2 million, or 61.5% to \$5.8 million for the three months ended September 30, 1999, as compared with \$3.6 million for the same period in 1998, primarily as a result of increased legal fees related to government investigations (see Legal Proceedings), new units and the addition of new outpatient offices. Outpatient services require a higher level of office supplies than do inpatient services. Depreciation and amortization expense increased by approximately \$796,000, or 33.6%, to \$3.2 million for the three months ended September 30, 1999, as compared with \$2.4 million for the same period in 1998, primarily as a result of amortization of goodwill in connection with acquisitions.

Income from operations decreased approximately \$3.4 million, or 26.2%, to \$9.7 million for the three months ended September 30, 1999, as compared with \$13.1 million for the same period in 1998.

The Company recorded net interest expense of approximately \$905,000 for the three months ended September 30, 1999, as compared with net interest expense of approximately \$354,000 for the same period in 1998. The increase in interest expense in 1999 is primarily the result of funds used for the acquisition of physician practices and the use of the Company's line of credit for such purposes.

The effective income tax rate was approximately 43.0% and 40.0% for the three month periods ended September 30, 1999 and 1998, respectively. The increase was the result of lower operating income with a constant level of non-deductible goodwill.

Net income decreased 34.7% to \$5.0 million for the three months ended September 30, 1999, as compared with \$7.6 million for the same period in 1998. Diluted net income per common and common equivalent share decreased to 32 cents for the three months ended September 30, 1999, compared to 48 cents for the same period in 1998.

Nine Months Ended September 30, 1999 as Compared to Nine Months Ended September 30, 1998

The Company reported net patient service revenue of \$168.5 million for the nine months ended September 30, 1999, as compared with \$133.3 million for the same period in 1998, a growth rate of 26.4%. This growth is attributable to new units at which the Company provides services as a result of acquisitions. Same unit patient service revenue decreased \$4.1 million, or 3.7%, for the nine months ended September 30, 1999. Same units are those units at which the Company provided services for the entire current period and the entire comparable period.

Salaries and benefits increased \$26.5 million, or 32.2% to \$109.0 million for the nine months ended September 30, 1999, as compared with \$82.5 million for the same period in 1998. Of this \$26.5 million increase, \$15.7 million, or 59.2%, was attributable to hiring new physicians, primarily to support new unit growth, and the remaining \$10.8 million was primarily attributable to increased support staff and resources added in the areas of nursing, management and billing and reimbursement and certain internal costs directly related to completed acquisitions that had historically been capitalized. Supplies and other operating expenses increased \$5.7 million, or 59.1% to \$15.4 million for the nine months ended September 30, 1999, as compared with \$9.7 million for the same period in 1998, primarily as a result of: (i) increased legal fees related to government investigations (see Legal Proceedings); (ii) additional audit fees related to the Company's 1998 concurrent audit; (iii) new units; and (iv) the addition of new outpatient offices. Outpatient services require a higher level of office supplies than do inpatient services. Depreciation and amortization expense increased by \$2.6 million, or 42.4% to \$8.8 million for the nine months ended September 30, 1999, as compared with \$6.2 million for the same period in 1998, primarily as a result of amortization of goodwill in connection with acquisitions.

Income from operations increased approximately \$316,000, or .9%, to \$35.3 million for the nine months ended September 30, 1999, as compared with \$35.0 million for the same period in 1998. The increase in income from operations was primarily due to increased volume, principally from acquisitions.

The Company recorded net interest expense of approximately \$1.4 million for the nine months ended September 30, 1999, as compared with net interest expense of approximately \$214,000 for the same period in 1998. The increase in interest expense in 1999 is primarily the result of funds used for the acquisition of physician practices and the use of the Company's line of credit for such purposes.

The effective income tax rate was approximately 40.8% and 40.0% for the nine month periods ended September 30, 1999 and 1998, respectively.

Net income decreased 3.9% to \$20.0 million for the nine months ended September 30, 1999, as compared with \$20.9 million for the same period in 1998. Diluted net income per common and common equivalent share decreased to \$1.27 for the nine months ended September 30, 1999, compared to \$1.31 for the same period in 1998.

Liquidity and Capital Resources

As of September 30, 1999, the Company had a working capital deficit of approximately \$24.8 million, a decrease of \$39.7 million from the working capital of \$14.9 million available at December 31, 1998. This decline is the result of the Company's line of credit being classified as a current liability as of September 30, 1999.

As of September 30, 1999, the Company had \$18.2 million available under its \$75 million line of credit. The Company is currently evaluating its options to secure long-term financing.

Status of Year 2000 Compliance

The Company has completed a review of its computer systems to identify any software that could be affected by the transition to the year 2000. The Company has completed testing and implementation of all of its critical systems, which include its clinical, billing, general ledger, and accounts payable systems. In addition, the Company has completed an inventory and certain tests of its information technology assets as well as critical non-information technology related assets and services, including embedded microprocessors in, for example, ultrasound machines. The Company has not set a limit on the financial resources that may be applied to complete this project, although, based upon the information that is currently available, it is expected that the total cost, both capitalized and expensed will not exceed \$500,000.

In preparing for the year 2000, the Company has requested certain information from its payors, vendors, financial institutions and hospital customers in order to evaluate their compliance plans and state of readiness. The Company will continually update this information throughout 1999 in order to determine what impact, if any these third parties may have on its business. Pediatrix is in the process of finalizing its contingency plan to ensure that it will be able to continue to provide services to its customers on and after January 1, 2000. This plan includes education of physicians to ensure that they are up to date on the provision of emergency services in instances where they may experience equipment failure. In addition, the Company is instituting a mechanism to verify that the payors are not experiencing problems processing payments. However, if a substantial number of payors, vendors and hospital customers do not make modifications and conversions required on a timely basis, it could have a material adverse effect on the Company's financial condition and results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's unsecured revolving credit facility, mortgage note payable and certain operating lease agreements are subject to market risk and interest rate changes. The total amount available under the credit facility is \$75 million. At the Company's option, the credit facility bears interest at either LIBOR plus .875% or the prime rate. The mortgage note payable bears interest at the prime rate and the leases bear interest at LIBOR based variable rates. The outstanding principal balances on the credit facility and note payable were approximately \$56.8 million and \$2.4 million, respectively, at September 30, 1999. The outstanding balances related to the operating leases totaled approximately \$13.6 million at September 30, 1999. Considering the total outstanding balances under these instruments at September 30, 1999 of approximately \$72.8 million, a 1% change in interest rates would result in an impact to pre-tax earnings of approximately \$728,000 per year.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

During the ordinary course of business, the Company has become a party to pending and threatened legal actions and proceedings, most of which involve claims of medical malpractice and are generally covered by insurance. These lawsuits are not expected to result in judgments which would exceed professional liability insurance coverage, and therefore will not have a material impact on the Company's consolidated results of operations, financial position or liquidity, notwithstanding any possible insurance recovery.

In February 1999, the first of several federal securities law class actions was commenced against the Company and three of its principal officers in United States District Court for the Southern District of Florida. Plaintiffs are shareholders purporting to represent a class of all open market purchasers of the Company's common stock between April 28, 1998, and various dates through and including April 1, 1999. They claim that during that period the Company violated the antifraud provisions of the federal securities laws by issuing false and misleading statements concerning its accounting practices and financial results, focusing in particular on the capitalization of certain payments made to employees in connection with acquisitions and revenue recognition in light of recent inquiries initiated by state investigators into the Company's billing practices. The complaints seek damages in an undetermined amount based on the alleged decline in the value of the common stock after the Company disclosed the capitalization issue and the inquiries by state investigators. On June 24, 1999, the Judge of the United States District Court for the Southern District of Florida entered an Order of Consolidation consolidating into one case the several federal securities law class action lawsuits. Therefore, the Judge recently entered two Orders in the case. The first Order granted the motion made by the three public pension funds to be appointed as lead plaintiffs and to have their counsel appointed as lead plaintiffs' counsel. The second Order set the administrative mechanism for handling the consolidated cases, including the time limitations for the filing of a Consolidated Amended Complaint by plaintiffs and a responsive pleading by defendants. Plaintiffs filed a Consolidated Amended Class Action Complaint on August 20, 1999. On October 7, 1999, the Company filed a Motion to Dismiss the Consolidated Amended Complaint. Plaintiffs filed an answering memorandum on November 5, 1999, and the Company's reply memorandum is due on November 22, 1999. The Company continues to believe that the claims are without merit and intends to defend them vigorously at the appropriate time.

In April 1999, the Company received requests, and in one case a subpoena, from investigators in Arizona, Colorado and Florida for information related to its billing practices. The Company is fully cooperating with these inquiries. Although the Company believes that its billing practices are proper, the investigations are ongoing and the Company is unable to predict at this time whether they will have any material adverse effect on the Company's business, financial condition or results of operations.

Item 2. Changes in Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

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

Not applicable.

Item 5. Other Information

This quarterly report contains statements which, to the extent they are not historical fact, constitute "forward looking statements" under the securities laws. All forward looking statements involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to differ materially from those expressed or implied by or in such forward looking statements. The forward looking statements in this document are intended to be subject to the safe harbor protection provided under the securities laws.

For additional information identifying certain other important factors which may affect the Company's operations and could cause actual results to vary materially from those anticipated in the forward looking statements, see the Company's Securities and Exchange Commission filings, including but not limited to, the discussion included in the Business section of the Company's Form 10-K under the heading "Factors to be Considered".

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 10.38 Employment Agreement between Pediatrix and Karl B. Wagner
- 11.1 Statement Re: Computation of Per Share Earnings
- 27.1 Financial Data Schedule

(b) Reports on Form 8-K

None.

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.

PEDIATRIX MEDICAL GROUP, INC.

Date: November 12, 1999

By: /s/ Roger J. Medel, M.D.

Roger J. Medel, M.D., President and Chief
Executive Officer (Principal Executive Officer)

Date: November 12, 1999

By: /s/ Karl B. Wagner

Karl B. Wagner, Chief Financial Officer
(Principal Financial and Accounting Officer)

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made and entered into by and between PEDIATRIX MEDICAL GROUP, INC., a Florida corporation (hereinafter called the "Company"), and KARL B. WAGNER (hereinafter called the "Executive").

P r e l i m i n a r y S t a t e m e n t s

A. The Company is presently engaged in the business of providing neonatal and pediatric physician management services to hospitals (the "Business").

B. The Executive has had several years of experience in financial operations in the health care business.

C. The Company is desirous of employing the Executive and benefiting from his contributions to the Company.

A g r e e m e n t

NOW, THEREFORE, in consideration of the premises and mutual covenants set forth herein, the parties agree as follows:

1. Employment.

1.1. Employment and Term. The Company hereby agrees to employ the Executive and the Executive hereby agrees to serve the Company, on the terms and conditions set forth herein, for an "Initial Term" effective on January 1, 1999 and expiring on December 31, 2001 (the "Expiration Date") unless sooner terminated as hereinafter set forth. The Initial Term of this Agreement, and the employment of the Executive hereunder, shall be automatically renewed for one (1) year periods thereafter until terminated in accordance hereunder. (The Initial Term and any automatic renewals shall be hereinafter referred to as the "Employment Period").

1.2. Duties of the Executive. During the Employment Period, the Executive shall serve as Chief Financial Officer of the Company. The Executive shall report to, and shall be subject to the supervision and direction of, the Vice President and Chief Operating Officer. During the Employment Period, and excluding any periods of vacation and sick leave to which the

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Executive is entitled, the Executive agrees to devote substantially all of his attention and business time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder as a senior executive officer involved with the general management of the Company, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (i) serve on corporate, civic or charitable boards or committees; (ii) deliver lectures, fulfill speaking engagements or teach at educational institutions; or (iii) manage personal investments and engage in other business activities, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement.

1.3. Place of Performance. The Executive shall be based at the Company's principal executive offices located in Broward County, Florida, except for required travel relating to the Company's Business.

2. Base Compensation and Bonus.

2.1. Base Salary. Commencing on the date hereof, the Executive shall receive a base salary at the annual rate of not less than One Hundred Fifty Thousand Dollars (\$150,000) (the "Base Salary") during the term of this Agreement, with such Base Salary payable in installments consistent with the Company's normal payroll schedule, subject to required applicable withholding for taxes.

2.2. Performance Bonus. The Executive shall be entitled to a performance bonus for each of the Company's fiscal years during the Employment Period (the "Performance Bonus") of up to Fifty Thousand Dollars (\$50,000) per year. The Performance Bonus shall be based upon incentives or milestones to be agreed upon by Executive and the Chief Operating Officer.

3. Other Benefits.

3.1. Expense Reimbursement. The Company shall promptly reimburse the Executive for all reasonable expenses actually paid or incurred by the Executive in the course of and pursuant to the Business of the Company, including expenses for travel and entertainment. The Executive shall account and submit reasonably supporting documentation to the Company in connection with any expense reimbursement hereunder in accordance with the Company's policies.

3.2. Other Benefits. During the Employment Period, the Company shall continue in force all existing comprehensive major medical and

hospitalization insurance coverages, either group or individual for the Executive and his dependents; shall continue in force all existing life insurance for the Executive; and shall continue in force all existing disability insurance for the Executive (collectively, the "Policies"), which Policies the Company shall keep in effect at its sole expense throughout the term of this Agreement. The Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under all welfare benefit plans, practices, policies and programs provided by the Company (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to senior executive officers or other peer executives of the Company. The Executive shall also be entitled to participate in all incentive, savings and retirement

plans, practices, policies and programs and such other perquisites as applicable generally to senior executive officers or other peer executives of the Company. Nothing paid to the Executive under any plan or arrangement presently in effect or made available in the future shall be deemed to be in lieu of the Base Salary payable to the Executive pursuant to this agreement.

3.3. Working Facilities. The Company shall furnish the Executive with such facilities and services suitable to his position and adequate for the performance of his duties hereunder.

3.4. Vacation. The Executive shall be entitled to such number of paid vacation and leave days in each calendar year as determined by the Board from time to time for its senior executive officers, but in no event less than four (4) weeks of paid vacation during each calendar year. Unused vacation days may be carried forward from year to year at the option of the Executive; provided that the Executive notifies the Company of his intention to accrue any unused vacation or leave time.

3.5. Stock Options. The Executive shall be entitled to participate in the Company's Stock Option Plan or any other similar plan adopted by the Company that provides for the issuance of stock options to its employees.

4. Termination.

4.1. Termination for Cause.

(a) The Company may terminate this Agreement for Cause. As used in this Agreement, the term "Cause" shall mean:

(i) A material willful breach committed in bad faith by the Executive of the Executive's obligations under Section 1.2 hereof (other than as a result of incapacity due to physical or mental illness) which is not remedied in a reasonable period of time after receipt of written notice from the Company specifying such breach; or

(ii) The conviction of the Executive of a felony based upon a violent crime or a sexual crime involving baseness, vileness or depravity; or

(iii) Substance abuse by the Executive in a manner which materially affects the performance of the Executive's obligations under Section 1.2 hereof; or

(iv) Any act or omission of the Executive which is materially contrary to the business interests, representations or goodwill of the Company.

(b) The Termination Date for a termination of this Agreement pursuant to this Section 4.1 shall be the date specified by the Company in a written notice to the Executive of finding of Cause.

(c) Upon any termination of this Agreement pursuant to this Section 4.1, the Executive shall be entitled to the compensation specified in Section 5.1 hereof.

4.2. Disability. The Company may terminate this Agreement upon the Disability (as defined below) of the Employee in strict accordance with the following procedure: Upon a good faith determination by not less than a majority of the Board of the entire membership of the Board (excluding the Executive) that the Executive has suffered a Disability, the Company shall give the Executive written notice of its intention to terminate this Agreement due to such Disability. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for six consecutive months or twelve months whether or not consecutive as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative (such agreement as to acceptability not to be withheld unreasonably). The Termination Date for a termination of this Agreement pursuant to this Section 4.2 shall be the date specified by the Board in the resolution finding that the Executive has suffered a Disability, which date may not be any earlier than 30 days after the date of Board's finding. Upon any termination of this Agreement pursuant to this Section 4.2, the Executive shall be entitled to the compensation specified in Section 5.2 hereof.

4.3. Death. This Agreement shall terminate automatically upon the death of the Executive, without any requirement of notice by the Company to the Executive's estate. The date of the Executive's death shall be the Termination Date for a termination of this Agreement pursuant to this Section 4.3. Upon any termination of this Agreement pursuant to this Section 4.3, the Executive shall be entitled to the compensation specified in Section 5.3 hereof.

4.4 Termination by the Company Without Cause. The Company may terminate the Executive's employment, without cause, as provided in this Section 4.4. To terminate the Executive's employment without cause in accordance with this Section 4.4, the Company shall give the Executive written notice of such termination. The Termination Date shall be the date specified by the Company in such notice. Upon any termination of this Agreement pursuant to this Section 4.4, the Executive shall be entitled to the compensation specified in Section 5.4 hereof.

4.5. Termination Upon a Change in Control of the Company. In the event a Change in Control (as hereafter defined) in the Company shall occur during the Employment Period, and the Executive elects to terminate his employment with Company because Executive is (i) assigned any position, duties or responsibilities that are significantly diminished or changed when compared with the position, duties or responsibilities of the Executive prior to such Change in Control, or (ii) forced to relocate to another location more than 25

miles from the Executive's location prior to the Change in Control, or (iii) Executive is terminated by Company, then the Executive shall be entitled to the compensation specified in Section 5.5 hereof and any other compensation and benefits provided in this Agreement in connection with a Change in Control of the Company. For purposes of this Section 4.5, "Change in Control of the Company" shall mean (i) the acquisition by a person or an entity or a group of persons and entities, directly or indirectly, of more than fifty (50%) percent of the Company's common stock in a single transaction or a series of transactions (hereinafter referred to as a "50% Change in Control"); (ii) a merger or other form of corporate reorganization resulting in an actual or de facto 50% Change in Control; or (iii) the failure of Applicable Directors (defined below) to constitute a majority of the Board during any two (2) consecutive year period after the date of this Agreement (the "Two-Year Period"). "Applicable Directors" shall mean those individuals who are members of the Board at the inception of a Two-Year Period and any new director whose election to the Board or nomination for election to the Board was approved (prior to any vote thereon by the shareholders) by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the Two-Year Period at issue or whose election or nomination for election during such Two-Year Period was previously approved as provided in this sentence. If the Executive elects to terminate his employment pursuant to the terms of this Section 4.5, the Executive shall give the Company a written termination notice. The Termination Date shall be the date specified in such notice, which date may not be earlier than 30 days nor later than 90 days from the Company's receipt of such notice.

4.6. Termination by the Executive Due to Poor Health. The Executive may terminate his employment under this Agreement upon written notice to the Company if the Executive's health should become impaired to any extent that makes the continued performance of the Executive's duties under this Agreement hazardous to the Executive's physical or mental health or his life (regardless of whether such condition would be deemed a Disability under any other section of this Agreement), provided that the Executive shall have furnished the Company with a written statement from a qualified doctor to that effect and provided further that, at the Company's written request and expense, the Executive shall submit to a medical examination by a qualified doctor selected by the Company and acceptable to the Executive (which acceptance shall not be unreasonably withheld) which doctor shall substantially concur with the conclusions of the Executive's doctor. The Termination Date shall be the date specified in the Executive's notice to the Company, which date may not be earlier than 30 days nor later than 90 days from the Company's receipt of such notice. Upon any termination of this Agreement pursuant to this Section 4.6, the Executive shall be entitled to the compensation specified in Section 5.6 hereof.

4.7. Termination by the Executive. The Executive may terminate his employment under this Agreement for any reason whatsoever upon not less than 90 days prior written notice to the Company. The Termination Date under this Section 4.7 shall be the date specified in the Executive's notice to the Company, which date may not be earlier than 90 days from the Company's receipt of such notice. Upon any termination of this Agreement pursuant to this Section 4.7, the Executive shall be entitled to the compensation specified in Section 5.7 hereof.

5. Compensation and Benefits Upon Termination.

5.1. Cause. If the Executive's employment is terminated for Cause, the Company shall pay the Executive his full Base Salary through the Termination Date specified in Section 4.1 at the rate in effect at the Termination Date, and the Company shall have no further obligation to the Executive under this Agreement.

5.2. Disability. During any period that the Executive is unable to perform his duties under this Agreement as a result of incapacity due to physical or mental illness, the Executive shall continue to receive his full Base Salary until the Termination Date specified in Section 4.2, plus the prorated amounts specified in Section 5.10. After such termination, the Executive shall receive 50% of his annual Base Salary at the rate in effect at the Termination Date, payable in six equal monthly installments, reduced by any disability payments otherwise payable by or pursuant to plans provided by the Company.

5.3. Death. Upon the Executive's death, the Company shall pay to the person designated by the Executive in a notice filed with the Company or, if no person is designated, to his estate (i) any unpaid amounts of his Base Salary and accrued vacation to the date of the Executive's death, plus the prorated amounts specified in Section 5.10; and (ii) any payments the Executive's spouse, beneficiaries or estate may be entitled to receive pursuant to any pension or employee benefit plan or life insurance policy or similar plan or policy then maintained by the Company. Upon full payment of all amounts required to be paid under this Section 5.3, the Company shall have no further obligation under this Agreement.

5.4 Termination by the Company Without Cause. If the Company terminates the Executive's employment without cause in accordance with and subject to Section 4.4, then (i) the Company shall pay the Executive his full Base Salary through the Termination Date specified in Section 4.4 at the rate in effect at such Termination Date, plus the prorated amounts specified in Section 5.10; and (ii) in lieu of further salary payments to the Executive for periods subsequent to the Termination Date and in consideration of the rights of the Company under Section 8, the Company shall pay Executive an amount equal to 50% of his annual Base Salary at the highest rate in effect during the 12 months immediately preceding the Termination Date, payable to the Executive in six equal monthly installments. Upon payment of the amounts specified under this Section 5.4, the Company shall have no further obligation under this Agreement.

5.5. Termination Upon a Change in Control. If the Executive or Company terminates this Agreement upon a Change in Control of the Company pursuant to Section 4.5, then (i) the Company shall pay the Executive his full Base Salary through the Termination Date specified in Section 4.5, at the rate in effect at such Termination Date, plus the prorated amounts specified in Section 5.10; (ii) the Executive shall receive all other compensation and benefits provided in this Agreement in connection with a termination of employment due to a Change in Control of the Company; and (iii) in lieu of any further salary payments to the Executive for periods subsequent to such Termination Date (but without affecting compensation or benefits to the Executive in accordance with the preceding clauses 5.5(i) and 5.5(ii) and in consideration of the rights of the Company under Section 8), the Company shall pay as severance pay to the Executive an amount equal to 100% of the Executive's Base Salary herein plus Performance Bonus for the preceding twelve months prior to the Termination Date, reduced, but not below zero, by the amount of

compensation or benefits from the Company to the Executive which would cause the severance pay payable pursuant to this Section 5.5 to exceed the excess parachute payment limitation imposed under Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), payable to the Executive in 12 equal monthly installments. In addition, in the event the Termination Date as a result of a Change in Control occurs within the twelve-month period of a Change in Control, any stock options held by the Executive on the Termination Date shall become immediately exercisable.

5.6. Termination by the Executive Due to Poor Health. If the Executive terminates this Agreement pursuant to Section 4.6 hereof, the Company shall pay to the Executive any unpaid amounts of his Base Salary and accrued vacation to the Termination Date specified in Section 4.6, plus any disability payments otherwise payable by or pursuant to plans provided by the Company, plus the prorated amounts specified in Section 5.10.

5.7. Termination by the Executive. If this Agreement terminates pursuant to Section 4.7 hereof, the Company shall pay to the Executive any unpaid amounts of his Base Salary and accrued vacation to the Termination Date specified in Section 4.7, as the case may be, plus the prorated amounts specified in Section 5.10.

5.8. Health and Medical Plans. The Executive shall be entitled to all continuation of health, medical, hospitalization and other programs during the period that the Executive is receiving payments under this Agreement and, in all cases, as provided by any applicable law. The Executive shall also be entitled to receive those benefits as are provided by the Company to its employees upon termination of employment with the Company.

5.9. This clause left blank intentionally.

5.10. Performance Bonus and Expense Reimbursement. If the Executive's employment with the Company is terminated for any reason, other than Cause (defined in Section 4.1(a) above), the Executive shall be paid, solely in consideration for services rendered by the Executive prior to such termination, a pro rata amount equal to the Performance Bonus that would have been payable to the Executive for the fiscal year if the Executive's employment had not been terminated, multiplied by the number of days in the fiscal year prior to and including the date of termination and divided by 365. The Executive shall be entitled to reimbursement for reasonable business expenses incurred prior to the Termination Date, subject, however to the provisions of Section 3.1.

6. Successors; Binding Agreement.

6.1. Successors. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) acquiring a majority of the Company's voting common stock or any other successor to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such

succession had taken place. As used in this Agreement, "Company" shall mean the Company as previously defined and any successor to its business and/or assets which executes and delivers the agreement provided for in this Section 6 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

6.2. Benefit. This Agreement and all rights of the Executive under this Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amounts would still be payable to him under this Agreement, including all payments payable under Section 5, if he had continued to live, all such amounts shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee, or other designee or, if there is no such designee, the Executive's estate.

7. Conflicts With Prior Employment Contract. Except as otherwise provided in this Agreement, this Agreement constitutes the entire agreement among the parties pertaining to the subject matter hereof, and supersedes and revokes any and all prior or existing agreements, written or oral, relating to the subject matter hereof, and this Agreement shall be solely determinative of the subject matter hereof.

8. Noncompetition; Unauthorized Disclosure; Injunctive Relief.

8.1. No Material Competition. Except with respect to services performed under this Agreement on behalf of the Company, and subject to the obligations of the Executive as an officer of the Company and the employment obligations of the Executive under this Agreement, the Executive agrees that at no time during the Employment Period or, for a period of one year immediately following any termination of this Agreement for any reason, for himself or on behalf of any other person, persons, firm, partnership, corporation or company:

(a) Solicit or accept business from any clients of the Company or its affiliates, from any prospective clients whose business the Company or any affiliate of the Company is in the process of soliciting at the time of the Executive's termination, or from any former clients which had been doing business with the Company within one year prior to the Executive's termination;

(b) Solicit any employee of the Company or its affiliates to terminate such employee's employment with the Company; or

(c) Engage in any neonatology or perinatology-related business of the types performed by the Company in the geographical area where the Company is actively doing business or soliciting business, including, but not limited to, employment or association with Sheridan Healthcare, Inc., its subsidiaries, affiliates or successors-in-interest, and Magella Healthcare Corporation, its subsidiaries, affiliates or successors-in-interest.

8.2. Unauthorized Disclosure. During the Employment Period and for two years following the termination of this Agreement for any reason, the Executive shall not, without the written consent of the Board or a person authorized by the Board or as may otherwise be required by law or court order, disclose to any person, other than an employee of the Company or person to whom

disclosure is reasonably necessary or appropriate in connection with the performance by the Executive of his duties as an executive of the Company, any material confidential information obtained by him while in the employ of the Company with respect to any of the company's clients, physicians, creditors, lenders, investment bankers or methods of marketing, provided, however, that confidential information shall not include any information generally known to the public (other than as a result of unauthorized disclosure by the Executive) or any information of a type not otherwise considered confidential by persons engaged in the same business or a business similar to that conducted by the Company.

8.3. Injunction. The Company and the Executive acknowledge that a breach by the Executive of any of the covenants contained in this Section 8 may cause irreparable harm or damage to the Company or its subsidiaries, the monetary amount of which may be virtually impossible to ascertain. As a result, the Executive agrees that the Company shall be entitled to an injunction issued by any court of competent jurisdiction enjoining and restraining all violations of this Section 8 by the Executive or his associates, affiliates, partners or agents, and that the right to an injunction shall be cumulative and in addition to all other remedies the Company may possess.

8.4. Certain Provisions. The provisions of this Section 8 shall apply during the time the Executive is receiving Disability payments from the Company as a result of a termination of this Agreement pursuant to Section 4.2 hereof.

9. Arbitration. Any dispute or controversy (except for disputes arising under Section 8) arising under or in connection with this Agreement shall be settled exclusively by arbitration in accordance with the rules of the American Arbitration Association then in effect (except to the extent that the procedures outlined below differ from such rules). Within 7 days after receipt of written notice from either party that a dispute exists and that arbitration is required, both parties must within 7 business days agree on an acceptable arbitrator. If the parties cannot agree on an arbitrator, then the parties shall list the "Big Five" accounting firms (other than the Company's auditors) in alphabetical order and the first firm that does not have a conflict of interest and is willing to serve will be selected as the arbitrator. The parties agree to act as expeditiously as possible to select an arbitrator and conclude the dispute. The arbitrator must render his decision in writing within 30 days of his or its appointment. The cost and expenses of the arbitration and of legal counsel to the prevailing party shall be borne by the non-prevailing party. Each party will advance one-half of the estimated fees and expenses of the arbitrator. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided that the Company shall be entitled to seek a restraining order or injunction in any court of competent jurisdiction to prevent any continuation of any violation of Section 8 hereof.

10. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida without regard to its conflict of laws principles to the extent that such principles would require the application of laws other than the laws of the State of Florida.

11. Notices. Any notice required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given when

delivered by hand or when deposited in the United States mail by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Company:

Lawrence M. Mullen
Pediatrix Medical Group, Inc.
1455 Northpark Drive
Ft. Lauderdale, Florida 33326

If to the Executive:

Karl B. Wagner
567 Stonemont Drive
Weston, FL 33326

or to such other addresses as either party hereto may from time to time give notice of to the other in the aforesaid manner.

12. Benefits: Binding Effect. This Agreement shall be for the benefit of and binding upon the parties hereto and their respective heirs, personal representatives, legal representatives, successors and, where applicable, assigns. Notwithstanding the foregoing, neither party may assign its rights or benefits hereunder without the prior written consent of the other party hereto.

13. Severability. The invalidity of any one or more of the words, phrases, sentences, clauses or sections contained in this Agreement shall not affect the enforceability of the remaining portions of this Agreement or any part thereof, all of which are inserted conditionally on their being valid in law, and, in the event that any one or more of the words, phrases, sentences, clauses or sections contained in this Agreement shall be declared invalid, this Agreement shall be construed as if such invalid word or words, phrase or phrases, sentence or sentences, clause or clauses, or section or sections had not been inserted. If such invalidity is caused by length of time or size of area, or both, the otherwise invalid provision will be considered to be reduced to a period or area which would cure such invalidity.

14. Waivers. The waiver by either party hereto of a breach or violation of any term or provision of this Agreement shall not operate nor be construed as a waiver of any subsequent breach or violation.

15. Damages. Nothing contained herein shall be construed to prevent the Company or the Executive from seeking and recovering from the other damages sustained by either or both of them as a result of its or his breach of any term or provision of this Agreement. In the event that either party hereto brings suit for the collection of any damages resulting from, or the injunction of any action constituting, a breach of any of the terms or provisions of this Agreement, then the party found to be at fault shall pay all reasonable court costs and attorneys' fees of the other, whether such costs and fees are incurred in a court of original jurisdiction or one or more courts of appellate jurisdiction.

16. No Third Party Beneficiary. Nothing expressed or implied in this Agreement is intended, or shall be construed, to confer upon or give any person (other than the parties hereto and, in the case of the Executive, his heirs, personal representative(s) and/or legal representative) any rights or remedies under or by reason of this Agreement. No agreements or representations, oral or otherwise, express or implied, have been made by either party with respect to the subject matter of this agreement which agreements or representations are not set forth expressly in this Agreement, and this Agreement supersedes any other employment agreement between the Company and the Executive.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the 20th day of April, 1999.

PEDIATRIX MEDICAL GROUP, INC.

THE EXECUTIVE:

/s/ Lawrence M. Mullen

/s/ Karl B. Wagner

Lawrence M. Mullen
Vice President and Chief Operating Officer

Karl B. Wagner

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
(in thousands, except for per share data)				
Basic:				
Net income applicable to common stock	\$ 4,985	\$ 7,630	\$ 20,047	\$ 20,856
Weighted average number of common shares outstanding	15,502	15,256	15,438	15,214
Basic net income per share	\$.32	\$.50	\$ 1.30	\$ 1.37
Diluted:				
Net income applicable to common stock	\$ 4,985	\$ 7,630	\$ 20,047	\$ 20,856
Weighted average number of common shares outstanding	15,502	15,256	15,438	15,214
Additional dilutive shares related to stock options	222	715	408	690
Weighted average number of common and common equivalent shares outstanding	15,724	15,971	15,846	15,904
Diluted net income per share	\$.32	\$.48	\$ 1.27	\$ 1.31

THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM THE UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AT SEPTEMBER 30, 1999 AND THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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PEDIATRIX MEDICAL GROUP, INC.
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Sep-30-1999		442
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AMOUNTS FOR RECEIVABLES AND PROPERTY, PLANT AND EQUIPMENT ARE NET OF ANY ALLOWANCES AND ACCUMULATED DEPRECIATION.