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

FORM 10-K

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

For the fiscal year ended December 31, 2001

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

For the transition period from _____ to _____

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 or organization)	(I.R.S. Employer Identification No.)
1301 Concord Terrace, Sunrise, Florida	33323
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Common Stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (ss.229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of shares of Common Stock, of the registrant held by non-affiliates of the registrant as of March 20, 2002, was approximately $645,241,000 based on a $38.42 closing sales price per share for the Common Stock on the New York Stock Exchange on such date. For purposes of this computation, all executive officers, directors and 5% beneficial owners of the common stock of the registrant have been deemed to be affiliates. Such determination should not be deemed to be an admission that such directors, officers or 5% beneficial owners are, in fact, affiliates of the registrant.

The number of shares of Common Stock of the registrant outstanding as of March 20, 2002, was 25,483,095.

DOCUMENTS INCORPORATED BY REFERENCE:

The Registrant's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, with respect to the annual meeting of shareholders scheduled to be held on May 14, 2002, is incorporated by reference in Part III of this Form 10-K to the extent stated herein. Except with respect to information specifically incorporated by reference in this Form 10-K, each document incorporated by reference herein is deemed not to be filed as a part hereof.

INDEX TO ITEMS

PART I

ITEM 1. BUSINESS

Unless the context requires otherwise, the terms "Pediatrix", "PMG", "the Company", "we", "us" and "our" refer to Pediatrix Medical Group, Inc., a Florida corporation, together with its subsidiaries and its affiliated professional associations, corporations and partnerships (the "PA Contractors"). The PA Contractors are separate legal entities that contract with Pediatrix Medical Group, Inc. to provide physician services in certain states and Puerto Rico.

GENERAL

We are the nation's leading provider of physician services at hospital-based neonatal intensive care units ("NICUs"). NICUs are staffed by neonatologists, who are pediatricians with additional training to care for newborn infants with low birth weight and other medical complications. In addition, we are the nation's leading provider of perinatal physician services. Perinatologists are obstetricians with additional training to care for women with high risk and/or complicated pregnancies and their fetuses. We also provide physician services at hospital-based pediatric intensive care units ("PICUs") and pediatrics departments in hospitals. As of December 31, 2001, we provided services in 27 states and Puerto Rico and employed or contracted with 588 practicing physicians.

We staff and manage NICUs and PICUs in hospitals, providing the physicians and professional and administrative support, including physician billing and reimbursement services. Our policy is to provide 24-hour coverage at our NICUs and PICUs with on-site or on-call physicians. As a result of this policy, physicians are available to provide pediatric support to other areas of the hospital on an as-needed basis, particularly in the obstetrics, nursery and pediatrics departments, where immediate accessibility to specialized care is critical.

We also staff and manage perinatal practices, which involves the operation of outpatient offices as well as the management of inpatient maternal-fetal care in hospitals. In our perinatal practices, we generally provide the physicians and other clinical professionals as needed, including nurse midwives, ultrasonographers and genetic counselors. We also provide administrative support and required medical equipment in our outpatient offices. All of our perinatal practices are in markets in which we also provide neonatal physician services, which allows us to pursue contractual arrangements with hospitals and third party payors for the provision of care across the full continuum of high risk maternal-fetal-neonatal medicine.

We established our leading position in neonatal and perinatal physician services by developing a comprehensive care model, including management and systems infrastructure, that addresses the needs of patients, hospitals, payor groups and physicians. We address the needs of (i) patients by providing comprehensive, professional quality care, (ii) hospitals by recruiting, credentialing and retaining neonatologists, perinatologists, pediatric intensivists and other physicians, and hiring related staff to provide services in a cost-effective manner, (iii) payors by providing cost-effective care to patients, and (iv) physicians by providing administrative support, including professional billing and reimbursement expertise and services that enable physicians to focus on providing care to patients, and by offering research, education and career advancement opportunities within Pediatrix.

On May 15, 2001, we acquired Magella Healthcare Corporation ("Magella") pursuant to a merger transaction that had been approved by our shareholders on that date. As a result of the merger, Magella became a wholly owned subsidiary of Pediatrix and the former stockholders of Magella became shareholders of Pediatrix. The discussion of the business of Pediatrix, management's discussion and analysis of financial condition and results of operations, and the consolidated financial statements included in this report reflect the operations and financial results of Pediatrix, which as of May 15,2001, includes the business and operations of Magella.

INDUSTRY OVERVIEW

The managed care environment has created substantial cost containment pressures for all constituents of the health care industry. A trend among hospitals is to contract with third parties to manage specialized functions in an effort to contain costs, improve utilization management and reduce administrative burdens. Physician organizations provide hospitals with professional management of staff, including recruiting, staffing and scheduling of physicians.

Our strategy is to continue growth through acquisitions, as physicians remain receptive to joining or affiliating with a larger organization. In addition, we continue to market our services to hospitals to obtain new contracts. We believe that hospitals will continue to outsource certain units, such as NICUs and PICUs, on a contract management basis. NICUs and PICUs present significant operational challenges for hospitals, including complex billing procedures, variable admissions rates, and difficulties in recruiting and retaining qualified physicians. Traditionally, hospitals have staffed their NICUs and PICUs through affiliations with small, local physician groups or with independent practitioners. Hospitals are increasingly seeking to contract with physician groups that have the capital resources, information and reimbursement systems and management expertise that NICUs require in the current managed care environment.

Of the approximately four million babies born in the United States annually, approximately 10% to 15% require neonatal treatment. Demand for neonatal services is primarily due to premature births, and to infants having difficulty making the transition to extrauterine life. A majority of newborns who will require neonatal treatment are not identified until the time of delivery, thus heightening the need for continuous coverage by neonatologists. Across the United States, NICUs are concentrated primarily among hospitals with a higher volume of births. NICUs are important to hospitals since obstetrics generates one of the highest volumes of admissions, and obstetricians generally prefer to perform deliveries at hospitals with NICUs. Hospitals must maintain cost-effective care and service in these units to enhance the hospital's desirability to the community, physicians and managed care payors.

Our involvement in the field of perinatology was a natural extension of our neonatal practice. Since many perinatal cases result in an admission to a NICU, early involvement by the neonatologist helps yield better outcomes for both mother and child. In addition, improved perinatal care has a positive impact on neonatal outcomes. The expansion of the continuum of care provided by Pediatrix to include perinatology has created an opportunity to strengthen our relationships with patients, hospitals and payors.

STRATEGY

Our objective is to enhance our position as the nation's leading provider of neonatal and perinatal physician services by adding new practices and increasing same unit growth. The key elements of our strategy are as follows:

FOCUS ON NEONATOLOGY, PERINATOLOGY AND PEDIATRICS. Since our founding in 1979, we have focused primarily on neonatology and pediatrics. As a result of this focus, we believe that we have (i) developed significant expertise in the complexities of billing and reimbursement for neonatal physician services and (ii) a competitive advantage in recruiting and retaining neonatologists seeking to join a group practice. In 1998, we expanded our business into perinatology. We are continuing to focus our efforts in perinatology and are dedicated to developing the same level of expertise in perinatology that we have developed in neonatology over the past 20 years. We believe that our continued focus will allow us to enhance our position as the nation's leading provider of neonatal and perinatal physician services.

ACQUIRE NEONATAL AND PERINATAL PHYSICIAN GROUP PRACTICES. We intend to further increase the number of locations at which we provide physician services by acquiring established neonatal and perinatal physician group practices. We completed our first acquisition of a neonatology physician group practice in July 1995 and since have acquired numerous established physician

group practices. We intend to continue actively pursuing acquisitions of additional neonatal and perinatal physician group practices. However, we may not be able to identify future acquisition candidates or consummate any future acquisitions. See "Risk Factors--Our failure to find suitable acquisition candidates or successfully integrate any future or recent acquisitions, particularly Magella, could harm our business and results of operations" below.

DEVELOP REGIONAL NETWORKS. We intend to develop regional and state-wide networks of NICUs and perinatal practices in geographic areas with high concentrations of births. We operate combined regional networks of NICUs and perinatal practices in the Austin, Dallas-Fort Worth, Denver-Colorado Springs, Des Moines, Kansas City, Las Vegas, Phoenix-Tucson, Reno, San Antonio, San Jose, Seattle-Tacoma and Southern California metropolitan areas. In addition, we intend to continue to acquire and develop perinatal practices in markets where we currently provide NICU services. We believe that the development of regional and state-wide networks will strengthen our position with third party payors, such as Medicaid and managed care organizations, because such networks will offer more choice to the patients of third party payors.

INCREASE SAME UNIT GROWTH. We seek to provide our services to hospitals where we can benefit from increased admissions, and we intend to increase revenues at existing units by providing support to areas of the hospital outside the NICU and PICU, particularly in the obstetrics, nursery and pediatrics departments, where immediate accessibility to specialized care is critical. These services generate incremental revenue for us, contribute to our overall profitability, enhance the hospital's profitability, strengthen our relationship with the hospital, and assist the hospital in attracting more admissions by enhancing the hospital's reputation in the community as a full-service critical care provider.

ASSIST HOSPITALS TO CONTROL COSTS. We intend to continue assisting hospitals to control costs. Our comprehensive care model, which promotes early intervention by perinatologists and neonatologists in emergency situations, as well as the retention of qualified perinatologists and neonatologists, improves the overall cost effectiveness of care. We believe that our ability to assist hospitals to control costs will allow us to continue to be successful in adding new units at which we provide physician services.

ADDRESS CHALLENGES OF MANAGED CARE ENVIRONMENT. We intend to continue to develop new methods of doing business with managed care and third party payors that will allow us to develop and strengthen our relationships among payors and hospitals. We are also prepared to enter into flexible arrangements with third party payors. As the nation's leading provider of neonatal and perinatal physician services, we believe that we are well-positioned to address the needs of managed care organizations and other third party payors, which seek to contract with cost-effective, quality providers of medical services.

PHYSICIAN SERVICES

We furnish physician management services to NICUs and PICUs, providing (i) a medical director to manage the unit, (ii) recruiting, staffing and scheduling services for physicians and certain other medical staff, (iii) neonatology and pediatric support to other hospital departments, (iv) pediatric subspecialty services, and (v) billing and reimbursement expertise and services. These physician management services include:

UNIT MANAGEMENT. We staff each NICU, PICU and perinatal practice that we manage with a medical director who reports to one of our Regional Presidents ("RP"). The RPs and all medical directors at these units are board certified or board eligible in neonatology, perinatology, pediatrics, pediatric critical care or pediatric cardiology, as appropriate. In addition to providing medical care and physician management in the unit, the medical director is responsible for (i) overall management of the unit, including quality of care, professional discipline, utilization review and coordinating physician recruitment, staffing and scheduling, (ii) serving as a liaison to the

hospital administration, (iii) maintaining professional and public relations in the hospital and the community, and (iv) monitoring our financial success within the unit.

RECRUITING, STAFFING AND SCHEDULING. We are responsible for recruiting, staffing and scheduling for neonatologists, perinatologists, pediatricians and advanced registered nurse practitioners ("ARNPs") within the NICUs and PICUs that we manage. Our recruiting department maintains an extensive recruiting database of neonatologists, perinatologists and pediatricians nationwide. We pre-screen all candidates and check and verify their credentials, licensure and references. The RPs and the medical directors play a key role in the recruiting and interviewing process before candidates are introduced to hospital administrators. The NICUs and PICUs that we manage are staffed by at least one neonatologist or pediatrician on site or available on call. These physicians are board certified or board eligible in neonatology, perinatology, pediatrics, pediatric critical care or pediatric cardiology, as appropriate. We also employ or contract with ARNPs, who assist our physicians in operating the NICUs and PICUs. All ARNPs have either a certificate as a neonatal nurse practitioner or pediatric nurse practitioner or a masters degree in nursing, and have previous neonatal or pediatric experience. With respect to the physicians who are employed by or under contract with us, we assume responsibility for salaries, benefits and physician malpractice insurance. See "Contractual Relationships" below.

SUPPORT TO OTHER HOSPITAL DEPARTMENTS. As part of our comprehensive care model, physicians provide support services to other areas of hospitals, particularly in the obstetrics, nursery and pediatrics departments, where immediate accessibility to specialized care is critical. We believe that this support (i) improves our relations with hospital staff and referring physicians, (ii) enhances the hospital's reputation in the community as a full-service critical care provider, (iii) increases admissions from referring obstetricians and pediatricians, (iv) integrates the physicians into a hospital's medical community, (v) generates incremental revenue that contributes to our overall profitability, and (vi) increases the likelihood of our renewing existing and adding new hospital contracts.

BILLING AND REIMBURSEMENT. We assume responsibility for all aspects of the billing, reimbursement and collection related to physician services. Third party payors and/or patients receive a bill from us for physician services. The hospital bills and collects separately for services it provides. To address the increasingly complex and time-consuming process of obtaining reimbursement for medical services, we have invested in both the technical and human resources necessary to create an efficient billing and reimbursement process, including specific claim forms and software systems. We begin this process by providing training to physicians that emphasizes a detailed review of and proper coding protocol for all procedures performed and services provided to achieve appropriate collection of revenues for physician services. Our billing and collection operations are conducted from our corporate offices in Sunrise, Florida, as well as our regional business offices. See "From time to time we are subject to billing investigations by federal and state government authorities which could have an adverse effect on our business and results of operations and the trading prices of our shares" below.

MARKETING

Historically, most of our growth was generated internally through marketing efforts and referrals. Beginning in the latter part of 1995, we significantly increased our acquisition activities to capitalize on the opportunities created by the trend toward consolidation in the health care industry. Our marketing program to neonatal and perinatal physician groups consists of (i) market research to identify established physician groups, (ii) telemarketing to identify and contact acquisition candidates, as well as hospitals with high demand for perinatal and NICU services, and (iii) on-site visits conducted by business development personnel together with senior management. We also advertise our services in hospital and health care trade journals, participate at hospital and physician trade conferences, and market our services directly to hospital administrators and medical staff. In addition, we focus on developing additional regional and statewide networks to strengthen our position with managed care organizations.

MANAGEMENT INFORMATION SYSTEMS

We maintain several systems to support our day-to-day operations, business development and ongoing clinical and business analysis, including (i) a clinical tracking system designed to assist our physicians with their paperwork and to consolidate clinical information used to support our education, research and quality assurance programs, (ii) a decision tree system designed to assist our physicians in selecting the appropriate billing codes for services provided, (iii) a website (NATALU) designed to disseminate clinical research and education materials to physicians and patients, (iv) electronic interchange with payors using electronic benefits verification, claims submission, and remittance advice, (v) a database used by the business development and marketing departments in recruiting physicians and identifying potential physician group acquisition candidates, which is updated through telemarketing activities, personal contacts, professional journals and mail solicitation, and (vi) a company-wide electronic mail system to assist intracompany communications and conferencing. Ongoing development will provide even greater streamlining of information from the clinical systems through the reimbursement process, thereby expediting the overall process.

Our management information system is an integral component of the billing and reimbursement process. Our system enables us to track numerous and diverse third party payor relationships and payment methods and provides for electronic interchange in support of insurance benefits verification and claims processing to payors accepting electronic submission. Our system was designed to meet our requirements by providing maximum flexibility as payor groups upgrade their payment and reimbursement systems. See "Risk Factors -- If we do not maintain effective and efficient information systems, our operations may be adversely affected" below.

CONTRACTUAL RELATIONSHIPS

HOSPITAL RELATIONSHIPS. Many of our contracts with hospitals grant us the exclusive right and responsibility to manage the provision of physician services to the NICUs and PICUs. The contracts typically have terms of one to five years and renew automatically for additional terms of one to five years unless earlier terminated. The contracts typically provide that the hospital or we may terminate the agreement upon 90 days' written notice.

We typically bill for physicians' services on a fee-for-service basis separately from other charges billed by the hospital. Certain contracting hospitals that do not generate sufficient patient volume agree to pay us administrative fees to assure a minimum revenue level. Administrative fees include guaranteed payments to us, as well as fees paid to us by certain hospitals for administrative services performed by our medical directors at such hospitals. Administrative fees accounted for 6%, 7% and 6% of our net patient service revenue during 1999, 2000 and 2001, respectively. The hospital contracts typically require that we and the physicians performing services maintain minimum levels of professional and general liability insurance. We contract and pay the premiums for such insurance on behalf of the physicians. See "Professional Liability and Insurance" below.

PAYOR RELATIONSHIPS. Substantially all our contracts with third party payors are discounted fee-for-service contracts. Although we have a minor number of small capitated arrangements (in which we are paid a flat monthly fee based on the number of individuals covered by a particular insurance plan) with certain payors, we are prepared to enter into additional capitation arrangements with other third party payors. If we enter into relationships with third party payors with respect to regional and statewide networks, such relationships may be on a capitated basis.

PA CONTRACTOR RELATIONSHIPS. PMG has entered into management agreements ("PA Management Agreements") with PA Contractors in all states in which we operate, other than Alaska, Idaho, Florida, and certain operations in Missouri. Each PA Contractor is owned by a licensed physician. Subject to applicable state laws, under the PA Management Agreements, the PA Contractors delegate to PMG only the administrative, management and support functions (and not any functions constituting the practice of medicine) that the PA Contractors have agreed to provide to the hospital. In consideration of such services, each PA Contractor pays PMG either a percentage of the PA Contractor's gross revenue (but in

no event greater than the net profits of such PA Contractor), or a flat fee. PMG has the discretion to determine whether the fee shall be paid on a monthly, quarterly or annual basis. The management fee may be adjusted from time to time to reflect industry standards and the range of services provided by the PA Contractor. The PA Management Agreements provide that the term of the arrangements are not less than 40 years, and in most cases permanent, subject only to termination by PMG, except in the case of gross negligence, fraud or bankruptcy of PMG. Also, the PA Management Agreements provide that PMG has the right, but not the obligation to purchase, or to designate a person or persons to purchase, the stock of the PA Contractor for a nominal amount. Separately, in its sole discretion, PMG has the right to assign its interest in the PA Management Agreements. See Note 2 to our Consolidated Financial Statements and "Risk Factors--Regulatory authorities or other parties may assert that our arrangements with our affiliated professional contractors constitute fee-splitting or the corporate practice of medicine which could result in civil or criminal penalties or invalidation of our contracts, which in turn could have an adverse effect on our financial condition and results of operations" below.

PHYSICIAN RELATIONSHIPS. We contract with the PA Contractors to provide the medical services required to fulfill our obligations to hospitals. The physician employment agreements typically have terms of three to five years and can be terminated by either party at any time upon 90 days' prior written notice. Each physician generally receives a base salary plus an incentive bonus. Each physician is required to hold a valid license to practice medicine in the appropriate state in which the physician practices and to become a member of the medical staff, with appropriate privileges, at each hospital at which he or she practices. We are responsible for billing patients and third party payors for services rendered by the physician, and we have the exclusive right to establish the schedule of fees to be charged for such services. Substantially all the physicians employed by PMG or the PA Contractors have agreed not to compete with PMG or the PA Contractor within a specified radius of any hospital at which PMG, the PA Contractor or the physician is rendering services for a period of two to three years after termination of employment.

ACQUISITIONS. We structure acquisitions of physician practice groups as asset purchases, stock purchases or mergers. Generally, these structures provide for (i) the assignment to us or a PA Contractor of the contracts between the physician practice group and the hospital at which the physician practice group provides medical services, (ii) the procurement of physician "tail insurance" coverage, under which we are an insured party, that covers malpractice claims filed after the date of acquisition that are based on events that occurred prior to the acquisition, and (iii) the indemnification to us by the previous owners of the practice group for breaches of their representations and warranties contained in the purchase agreement. Generally, in acquisitions structured as asset purchases, we do not acquire the physician practice group's receivables or liabilities, including malpractice claims, arising from the physician practice group's activities prior to the date of the acquisition. Generally, in acquisitions structured as stock purchases or mergers, the physician practice group's receivables (net of any liabilities accruing prior to the acquisition and permitted indemnification claims) are assigned to the former owners of the physician practice group. It should be noted, however, that in our recent acquisition of Magella, neither Magella nor any of its stockholders provided us with indemnification.

GOVERNMENT REGULATION

Our operations and relationships are subject to extensive and complex governmental and regulatory requirements relating to the conduct of our business. We are also subject to laws and regulations that relate to business corporations in general. We exercise care in an effort to structure our practices and arrangements with hospitals and physicians to comply with applicable federal, state and local laws and regulations and we believe that such practices and arrangements comply in all material respects with all such existing applicable laws and regulations.

Approximately 23% of our net patient service revenue in 2001, exclusive of administrative fees, was derived from payments made by government-sponsored health care programs (principally Medicaid). These programs are subject to substantial regulation by the federal and state governments. Any change in reimbursement regulations, policies, practices, interpretations or statutes that places material limitations on reimbursement amounts or practices could adversely affect our operations. In addition,

funds received under these programs are subject to audit with respect to the proper billing for physician and ancillary services and, accordingly, retroactive adjustments of revenue from these programs may occur. See "Risk Factors--Limitations of, reductions in, or retroactive adjustments to reimbursement amounts or rates by government-sponsored health care programs could adversely affect our financial condition and results of operations" below.

For more information about the various regulatory requirements to which we are subject, see "Risk Factors--The health care industry is highly regulated and our failure to comply with laws or regulations, or a determination that in the past we have failed to comply with laws or regulations, could have an adverse effect on our financial condition and results of operations", "Risk Factors--If we are found to have violated anti-kickback or self-referral laws, we could be subject to monetary fines, civil and criminal penalties and exclusion from participation in government-sponsored health care programs, which would have an adverse effect on our business and results of operations", "Risk Factors--Regulatory authorities or other parties may assert that our arrangements with our affiliated professional contractors constitute fee-splitting or the corporate practice of medicine which could result in civil or criminal penalties or invalidation of our contracts which, in turn, could have an adverse effect on our financial condition and results of operations", "Risk Factors -- Federal and state laws that protect patient health information may increase our costs and limit our liability to collect and use that information", and "Risk Factors--Federal and state health care reform, or changes in the interpretation of government-sponsored health care programs, may have an adverse effect on our financial condition and results of operations" below.

In April 1999, we received requests from investigators in Arizona, Colorado and Florida for information related to our billing practices for services reimbursed by the Medicaid programs in these states and the Tricare program for military dependents. Our disclosure of the investigations caused our share price to substantially decrease.

On May 25, 2000, we entered into a settlement agreement with the Office of the Attorney General for the State of Florida, pursuant to which we paid the State of Florida $40,000 to settle any claims regarding our receipt of overpayments from the Florida Medicaid program from January 7, 1997 through the effective date of the settlement agreement. On August 28, 2000, we entered into a settlement agreement with the State of Arizona's Medicaid Agency, pursuant to which we paid the State of Arizona $220,000 in settlement of potential claims regarding payments received by Pediatrix and its affiliated physicians and physician practices from the Arizona Medicaid program for neonatal, newborn and pediatric services provided over a ten-year period, from January 1, 1990 through the effective date of the settlement agreement. Additionally, we reimbursed the State of Arizona for costs related to its investigation. The Florida and Arizona settlement agreements both stated that the investigations conducted by those states revealed a potential overpayment, but no intentional fraud, and that any overpayment was due to a lack of clarity in the relevant billing codes.

The Colorado Medicaid and Tricare investigations, which involve criminal, civil and administrative components, are active and ongoing, and these matters, along with the Arizona and Florida matters, have prompted inquiries by Medicaid officials in other states. We cannot predict whether the Colorado investigation or any other inquiries will have a material adverse effect on our business, financial condition or results of operations or on the trading prices of our shares. We believe that additional billing audits, inquiries and investigations from government agencies will continue to occur in the ordinary course of our business and in the health care services industry in general from time to time. See "From time to time we are subject to billing investigations by federal and state government authorities which could have an adverse effect on our business and results of operations and the trading prices of our shares" below.

On February 7, 2002, we and certain of our officers executed a definitive agreement relating to our previously announced settlement of the securities class action litigation filed against us and certain of our officers in the United States District Court for the Southern District of Florida. Pursuant to the terms of the settlement agreement, we agreed to make a cash payment $12.0 million, which amount is expected to be covered under insurance policies. The settlement, which has received preliminary court approval, is subject to final approval of the District Court. See "Item 3. Legal Proceedings" below.

PROFESSIONAL LIABILITY AND INSURANCE

Our business entails an inherent risk of claims of physician professional liability. We maintain professional liability insurance and general liability insurance on a claims-made basis in accordance with standard industry practice. We believe that our coverage is appropriate based upon our claims experience and the nature and risks of our business. There can be no assurance that a pending or future claim or claims will not be successful or if successful will not exceed the limits of available insurance coverage. See "Item 3. Legal Proceedings" and "Risk Factors--We may be subject to malpractice and other lawsuits, some of which we may not be fully insured against" below.

In order to maintain hospital privileges, the physicians who are employed by or under contract with us are required to obtain professional liability insurance coverage. We contract and pay the premiums for such insurance for the physicians. Our current professional liability insurance policy expires May 1, 2002, and we are currently reviewing our coverage options, which will include a higher self-insured retention. There can be no assurance that we can obtain substantially similar coverage upon expiration or that such coverage will continue to be available at acceptable costs and on favorable terms. Based upon current insurance markets, we expect that our professional liability insurance premiums will increase over prior periods.

COMPETITION

The health care industry is highly competitive and has been subject to continual changes in the method in which health care services are provided and the manner in which health care providers are selected and compensated. We believe that private and public reforms in the health care industry emphasizing cost containment and accountability will result in an increasing shift of neonatal and perinatal care from highly fragmented, individual or small practice providers to larger physician groups. Companies in other health care industry segments, such as managers of other hospital-based specialties or large physician group practices, some of which have financial and other resources greater than ours, may become competitors in providing management of perinatal, neonatal and pediatric intensive care services to hospitals. Competition in our business is generally based upon reputation and experience, and the physicians' ability to provide cost-effective, quality care. See "Risk Factors--Our industry is already competitive, and increased competition could adversely affect our revenues" below.

SERVICE MARKS

We have registered the service marks "Pediatrix Medical Group" and "Obstetrix Medical Group" and their design as well as the baby design logo with the United States Patent and Trademark Office. In addition, we have pending applications to register the trademark "NatalU" and service mark "NatalU - A University Without Walls".

EMPLOYEES AND PROFESSIONALS UNDER CONTRACT; GEOGRAPHIC COVERAGE

In addition to the 588 practicing physicians employed by or under contract with us as of December 31, 2001, Pediatrix employed or contracted with 564 other clinical professionals and 932 other full-time and part-time employees. None of our employees are subject to a collective bargaining agreement.

We provide services in Alaska, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Indiana, Iowa, Kansas, Maryland, Missouri, Nevada, New Jersey, New Mexico, New York, Ohio, Oklahoma, Pennsylvania, Puerto Rico, South Carolina, Tennessee, Texas, Utah, Virginia, Washington and West Virginia.

FROM TIME TO TIME WE ARE SUBJECT TO BILLING INVESTIGATIONS BY FEDERAL AND STATE GOVERNMENT AUTHORITIES WHICH COULD HAVE AN ADVERSE EFFECT ON OUR BUSINESS AND RESULTS OF OPERATIONS AND THE TRADING PRICES OF OUR SHARES.

State and federal statutes impose substantial penalties, including civil and criminal fines, exclusion from participation in government health care programs, and imprisonment, on entities or individuals (including any individual corporate officers or physicians deemed responsible) that fraudulently or wrongfully bill governmental or other third party payors for health care services. In addition, federal laws allow a private person to bring a civil action in the name of the United States government for false billing violations. In April 1999, we received requests, and in one case a subpoena, from investigators in Arizona, Colorado and Florida for information related to our billing practices for services reimbursed by the Medicaid programs in these states and by the Tricare program for military dependents. Our disclosure of the investigations caused our share price to substantially decrease.

The Colorado Medicaid and Tricare investigations, which involve criminal, civil and administrative components, are active and ongoing, and these matters, along with the Arizona and Florida matters, have prompted inquiries by Medicaid officials in other states. We cannot predict whether the Colorado investigation or any other inquiries will have a material adverse effect on our business, financial condition or results of operations or on the trading prices of our shares. We believe that additional billing audits, inquiries and investigations by government agencies will continue to occur in the ordinary course of our business and in the health care services industry in general from time to time.

THE HEALTH CARE INDUSTRY IS HIGHLY REGULATED AND OUR FAILURE TO COMPLY WITH LAWS OR REGULATIONS, OR A DETERMINATION THAT IN THE PAST WE HAVE FAILED TO COMPLY WITH LAWS OR REGULATIONS, COULD HAVE AN ADVERSE EFFECT ON OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The health care industry and physicians' medical practices are highly regulated. We believe that this industry will continue to be subject to increasing regulation, the scope and effect of which we cannot predict. Neonatal, perinatal and other health care services that we and our affiliated professional contractors provide are subject to extensive and complex federal, state and local laws and regulations governing various matters such as the licensing and certification of our facilities and personnel, the conduct of our operations, our billing and coding policies and practices, our policies and practices with regard to patient privacy and confidentiality, and prohibitions on payments for the referral of business and self-referrals. As a result of our desire to assure compliance with the increasingly complex regulatory environment for the health care industry, we maintain a company-wide compliance program. Nevertheless, we may become the subject of additional regulatory or other investigations or proceedings, and our interpretations of applicable laws and regulations may be challenged. The defense of any such challenge could result in substantial cost to us and a diversion of management's time and attention. Thus, any such challenge could have a material adverse effect on our business, regardless of whether it ultimately is successful. If we fail to comply with these laws, or a determination is made that in the past we have failed to comply with these laws, our financial condition and results of operations could be adversely affected. In addition, changes in health care laws or regulations may restrict our existing operations, limit the expansion of our business or impose additional compliance requirements. These changes, if enacted, could reduce our opportunities for continued growth and impose additional compliance costs on us that we may not recover through price increases.

LIMITATIONS OF, REDUCTIONS IN OR RETROACTIVE ADJUSTMENTS TO REIMBURSEMENT AMOUNTS OR RATES BY GOVERNMENT-SPONSORED HEALTH CARE PROGRAMS COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Approximately 23% of our net patient service revenue in 2001, exclusive of administrative fees, was derived from payments made by government-sponsored health care programs (principally Medicaid). These government programs, as well as private insurers, have taken and may continue to take steps to control the cost, use and delivery of health care services. There can be no assurance that payments from government or private payors will remain at levels comparable to present levels. Our business could be adversely affected by reductions in or limitations of reimbursement amounts or rates under these programs, reductions in funding of these programs, or elimination of coverage for certain individuals or treatments under these programs, which may be implemented as a result of:

- increasing budgetary and cost containment pressures on the health care industry generally;
- new federal or state legislation reducing state Medicaid funding and reimbursements or increasing state discretionary funding;
- new state legislation encouraging or mandating state Medicaid managed care;
- state Medicaid waiver requests granted by the federal government, increasing discretion with respect to, or reducing coverage or funding for, certain individuals or treatments under Medicaid, in the absence of new federal legislation;
- increasing state discretion in Medicaid expenditures which may result in decreased reimbursement for, or other limitations on, the services that we provide; or
- other changes in reimbursement regulations, policies or interpretations that place material limitations on reimbursement amounts or practices for services that we provide.

In addition, these government-sponsored health care programs generally provide for reimbursements on a fee schedule basis rather than on a charge-related basis. Therefore, we generally cannot increase our revenues by increasing the amount we charge for our services. To the extent our costs increase, we may not be able to recover our increased costs from these government programs. In states where Medicaid managed care is encouraged and may become mandated, Medicaid reimbursement payments to us could be reduced as managed care organizations bargain for reimbursement with competing providers and contract with these states to provide benefits to Medicaid enrollees. Moreover, cost containment measures and market changes in non-governmental insurance plans have generally restricted our ability to recover, or shift to non-governmental payors, these increased costs.

In attempts to limit federal spending, there have been, and we expect that there will continue to be, a number of proposals to limit Medicare and Medicaid reimbursement for various services. For example, the Balanced Budget Act of 1997 has made it easier for states to reduce their Medicaid reimbursement levels. Some states have enacted or are considering enacting measures that are designed to reduce their Medicaid expenditures. This Act also mandated that the Centers for Medicare and Medicaid Services, or CMS (formerly known as Health Care Financing Administration, or HCFA), conduct competitive bidding demonstrations for certain Medicare services. Two such demonstrations are currently being conducted. These competitive bidding demonstrations could provide CMS and Congress with a model for implementing competitive pricing in other federal health care programs. If, for example, such a competitive bidding system were implemented for Medicaid services, it could result in lower reimbursement rates, exclude certain services from coverage or impose limits on increases in reimbursement rates. Our business may be significantly and adversely affected by any such changes in reimbursement policies and other legislative initiatives aimed at reducing health care costs associated with Medicare and Medicaid.

In addition, funds we receive from third party payors, including government programs, are subject to audit with respect to the proper billing for physician and ancillary services and, accordingly, our revenue from these programs may be adjusted retroactively.

IF OUR PHYSICIANS DO NOT APPROPRIATELY RECORD AND DOCUMENT THE SERVICES THAT THEY PROVIDE, OUR REVENUES COULD BE ADVERSELY AFFECTED.

Physicians employed or under contract with our affiliated professional contractors are responsible for assigning reimbursement codes and maintaining sufficient supporting documentation in respect of the services that they provide. We use this information to seek reimbursement for their services from third party payors. If our physicians do not appropriately code or document their services, our revenues could be adversely affected. For instance, in response to billing investigations or other governmental inquiries, our affiliated physicians could take an unduly conservative approach to coding their services by, for example, increasing the use of non-critical care codes, for which our reimbursement is lower than critical care codes, as they may have in the past. As a result, we could receive lower reimbursements from third party payors which could have a material adverse effect on our revenues and results of operations.

OUR FAILURE TO FIND SUITABLE ACQUISITION CANDIDATES OR SUCCESSFULLY INTEGRATE ANY FUTURE OR RECENT ACQUISITIONS, PARTICULARLY MAGELLA, COULD HARM OUR BUSINESS AND RESULTS OF OPERATIONS.

We have expanded and intend to continue to expand our geographic and market penetration primarily through acquisitions of physician group practices. However, we may not be able to implement our acquisition strategy, and our strategy may not be successful. In implementing our acquisition strategy, we compete with other potential acquirers, some of which may have greater financial or operational resources than we do. Competition for acquisitions may intensify due to the ongoing consolidation in the health care industry, which may increase the costs of capitalizing on such opportunities.

In addition, completion of acquisitions could result in us incurring or assuming additional indebtedness and issuing additional equity. The issuance of shares of our common stock for an acquisition may result in dilution to our existing shareholders.

Although we conduct due diligence reviews of potential acquisition candidates, including with respect to financial matters and compliance with applicable laws, we cannot be certain that the acquired business will continue to maintain its pre-acquisition revenues and growth rates following the acquisition, nor can we be certain as to the absence or extent of any unknown or contingent liabilities, including liabilities for failure to comply with applicable laws. While we generally seek indemnification from the prior owners of acquired businesses covering these matters (although we have no indemnification in our Magella acquisition), we may incur material liabilities for past activities of acquired businesses.

Moreover, integrating acquisitions, including Magella, into our existing operations involves numerous additional short and long-term risks, including:

- diversion of our management's attention;
- failure to retain key personnel;
- long-term value of acquired intangible assets; and
- one-time acquisition expenses.

We cannot assure you that we will complete or integrate acquisitions in new states; but if we do, we will be required to comply with the laws and regulations of those states, which may differ from those of the states in which our operations are currently conducted. Many of our acquisition-related expenses may have a negative effect on our results of operations until, if ever, these expenses are offset by

increased revenues. We cannot assure you that we will identify suitable acquisition candidates in the future or that we will complete future acquisitions or, if completed, that any acquisition, including our recent acquisitions, will be integrated successfully into our operations or that we will be successful in achieving our objectives.

REGULATORY AUTHORITIES OR OTHER PARTIES MAY ASSERT THAT OUR ARRANGEMENTS WITH OUR AFFILIATED PROFESSIONAL CONTRACTORS CONSTITUTE FEE-SPLITTING OR THE CORPORATE PRACTICE OF MEDICINE WHICH COULD RESULT IN CIVIL OR CRIMINAL PENALTIES OR INVALIDATION OF OUR CONTRACTS, WHICH IN TURN COULD HAVE AN ADVERSE EFFECT ON OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Many states have laws that prohibit business corporations, such as PMG, from practicing medicine, exercising control over medical judgments or decisions of physicians, or engaging in certain arrangements, such as fee-splitting, with physicians. In these states, we maintain long-term management contracts with professional associations and partnerships that are owned by licensed physicians, and these affiliated professional contractors in turn employ or contract with physicians to provide physician services. In states where we are not permitted to practice medicine, we perform only non-medical administrative services, do not represent that we offer medical services and do not exercise influence or control over the practice of medicine by the physicians employed by our affiliated professional contractors. In states where fee-splitting is prohibited, the fees that we receive from our affiliated professional contractors have been established on a basis that we believe complies with the applicable states' laws. Although we believe that we are in compliance with applicable state laws in relation to the corporate practice of medicine and fee-splitting, we cannot assure you of this. Regulatory authorities or other parties, including our affiliated physicians, may assert that, despite these arrangements, we are engaged in the corporate practice of medicine or that our contractual arrangements with our affiliated professional contractors constitute fee-splitting or the corporate practice of medicine, in which case we could be subject to civil and criminal penalties, our contracts could be found legally invalid and unenforceable (in whole or in part) or we could be required to restructure our contractual arrangements with our affiliated professional contractors. We cannot assure you that this will not occur or, if it does, that we would be able to restructure our contractual arrangements on terms that are similar or at least as favorable to us. If we were unable to so restructure our contractual arrangements, our financial condition and results of operations could suffer.

IF WE ARE FOUND TO HAVE VIOLATED ANTI-KICKBACK OR SELF-REFERRAL LAWS, WE COULD BE SUBJECT TO MONETARY FINES, CIVIL AND CRIMINAL PENALTIES AND EXCLUSION FROM PARTICIPATION IN GOVERNMENT-SPONSORED HEALTH CARE PROGRAMS, WHICH WOULD HAVE AN ADVERSE EFFECT ON OUR BUSINESS AND RESULTS OF OPERATIONS.

Our business is subject to extensive federal and state regulation with respect to financial relationships and "kickbacks" among health care providers, physician self-referral arrangements and other fraud and abuse issues. Federal anti-kickback laws and regulations prohibit certain offers, payments or receipts of remuneration in return for (1) referring Medicaid or other government-sponsored health care program patients or patient care opportunities or (2) purchasing, leasing, ordering or arranging for, or recommending any service or item for which payment may be made by a government-sponsored health care program. In addition, federal physician self-referral legislation, known as the Stark law, prohibits Medicare or Medicaid payments for certain services furnished by a physician who has a financial relationship with various physician-owned or physician-interested entities. These laws are broadly worded and, in the case of the anti-kickback law, have been broadly interpreted by federal courts, and potentially subject many business arrangements to government investigation and prosecution, which can be costly and time consuming. Violations of these laws are punishable by monetary fines, civil and criminal penalties, exclusion from participation in government-sponsored health care programs and forfeiture of amounts collected in violation of such laws, which could have an adverse effect on our business and results of operations. Certain states in which we do business also have similar anti-kickback and self-referral laws, imposing substantial penalties for violations. The relationships, including fee arrangements, among our affiliated professional contractors, hospital clients and physicians have not been

examined by federal or state authorities under these anti-kickback and self-referral laws and regulations.

FEDERAL AND STATE LAWS THAT PROTECT THE PRIVACY OF PATIENT HEALTH INFORMATION MAY INCREASE OUR COSTS AND LIMIT OUR ABILITY TO COLLECT AND USE THAT INFORMATION.

Numerous federal and state laws and regulations govern the collection, dissemination, use and confidentiality of patient-identifiable health information, including the federal Health Insurance Portability and Accountability Act of 1996 and related rules ("HIPAA"). The U.S. Department of Health and Human Services has proposed standards for patient-identifiable health information pursuant to HIPAA that have not yet been finalized. As part of our medical record keeping, third party billing, research and other services, we collect and maintain patient-identifiable health information. We cannot predict the effect of the HIPAA privacy standards on our operations nor estimate the cost of compliance with such standards, which may be revised prior to their current scheduled effective date in February 2003. New health information standards, whether implemented pursuant to HIPAA, congressional action or otherwise, could have a significant effect on the manner in which we handle health care related data and communicate with payors, and the cost of complying with these standards could be significant. If we do not comply with existing or new laws and regulations related to patient health information we could be subject to criminal or civil sanctions.

FEDERAL AND STATE HEALTH CARE REFORM, OR CHANGES IN THE INTERPRETATION OF GOVERNMENT-SPONSORED HEALTH CARE PROGRAMS, MAY HAVE AN ADVERSE EFFECT ON OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Federal and state governments have recently focused significant attention on health care reform. In recent years, many legislative proposals have been introduced or proposed in Congress and some state legislatures that would effect major changes in the health care system. Among the proposals which are being or have been considered are cost controls on hospitals, insurance reforms and the creation of a single government health plan that would cover all citizens. Some proposals under consideration, or others which may be introduced, could, if adopted, have a material adverse effect on our financial condition and results of operations. We cannot predict which, if any, proposal that has been or will be considered will be adopted or what effect any future legislation will have on us.

WE MAY NOT BE ABLE TO SUCCESSFULLY RECRUIT ADDITIONAL AND RETAIN EXISTING QUALIFIED PHYSICIANS TO SERVE AS OUR INDEPENDENT CONTRACTORS OR EMPLOYEES.

Our business strategy is dependent upon our ability to recruit and retain qualified neonatologists and perinatologists. We compete with many types of health care providers, including teaching, research, and government institutions, for the services of qualified physicians. In addition, upon the expiration of the employment contracts of our affiliated physicians, which typically have terms of three to five years, we generally seek the renewal of such contracts. We may not be able to continue to recruit and retain, through renewal of existing contracts or otherwise, a sufficient number of qualified neonatologists and perinatologists who provide services in markets served by us on terms similar to our current arrangements. Our inability to recruit additional or retain our current physicians on terms that are similar to our current arrangements (or that are otherwise acceptable to us) could adversely affect our ability to service existing or new units at hospitals or expand our business, which could have a material adverse effect on our financial condition and results of operations.

WE MAY BE SUBJECT TO MALPRACTICE AND OTHER LAWSUITS, SOME OF WHICH WE MAY NOT BE FULLY INSURED AGAINST.

Our business entails an inherent risk of claims medical malpractice claims against our physicians and us. We periodically become involved as a defendant in medical malpractice lawsuits, some of which are currently ongoing, and are subject to the attendant risk of substantial damage awards. A significant source of potential liability is negligence or alleged negligence by physicians employed or contracted by

us or our affiliated professional contractors. To the extent these physicians are our employees, or are regarded as our agents, we could be held liable. In addition, our contracts with hospitals generally require us to indemnify them and their affiliates for losses resulting from the negligence of physicians who are associated with us.

From time to time we have been subject to other lawsuits. We recently settled a class action lawsuit brought by a class of open market purchasers of our common stock. The class action lawsuit alleged that we had violated federal securities laws. We may be subject to lawsuits in the future which may involve large claims and significant defense costs. Although we currently maintain liability insurance intended to cover such claims, the coverage limits of such insurance policies may prove to be inadequate or all such claims may not be covered by the insurance. In addition, our commercial insurance policies must be renewed annually. We cannot assure you that a pending or future lawsuits will not be successful or, if successful, will not exceed the limits of our available insurance coverage or that this coverage will continue to be available at acceptable costs and on favorable terms. Liabilities in excess of our insurance coverage could have a material adverse effect on our financial condition and results of operations. In addition, claims, regardless of their merit or eventual outcome, also may have a material adverse effect on our business and reputation.

WE MAY WRITE-OFF INTANGIBLE ASSETS, SUCH AS GOODWILL.

Recent accounting rules require that we evaluate long-lived assets, including goodwill and other identifiable intangibles, at each balance sheet date and record an impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be fully recoverable. Under current standards, the recoverability of such assets, which consist primarily of goodwill, is measured by a comparison of the carrying value of the assets to the future undiscounted cash flows before interest charges to be generated by the assets. For goodwill, we consider external factors relating to each acquired business, including hospital and physician contract charges, local market developments, changes in third-party payments, national health care trends, and other publicly-available information. If these factors indicate that goodwill is impaired, the impairment to be recognized is measured as the excess of the carrying value over the estimated fair value. As circumstances after an acquisition can change, we cannot assure you that the value of intangible assets will be realized by us. If we record an impairment of our intangible assets, it could have an adverse effect on our results of operations for the year in which the impairment is recorded.

FAILURE TO MANAGE OUR GROWTH EFFECTIVELY COULD HARM OUR BUSINESS AND RESULTS OF OPERATIONS.

We have experienced rapid growth in our business and number of employees in recent years. Continued rapid growth may impair our ability to provide our services efficiently and to manage our employees adequately. While we are taking steps to manage our growth, our future results of operations could be materially adversely affected if we are unable to do so effectively.

IF WE DO NOT MAINTAIN EFFECTIVE AND EFFICIENT INFORMATION SYSTEMS, OUR OPERATIONS MAY BE ADVERSELY AFFECTED.

Our operations are dependent on the continued and uninterrupted performance of our information systems. Failure to maintain reliable information systems or disruptions in our information systems could cause disruptions in our business operations, including disruptions in billing and collections; loss of existing patients; difficulty in satisfying requirements of contractual obligations with hospitals; disputes with patients and payors; problems maintaining patient privacy and confidentiality, patient records, research and other databases; regulatory problems; decreased intra-company communications; increased administrative expenses; or other adverse consequences, any or all of which could have a material adverse effect on our operations.

OUR QUARTERLY RESULTS WILL LIKELY FLUCTUATE, WHICH COULD CAUSE THE VALUE OF OUR COMMON STOCK TO DECLINE.

We have recently experienced and expect to continue to experience quarterly fluctuations in our net patient service revenue and associated net income primarily due to volume and cost fluctuations. We have significant fixed operating costs, including physician costs, and, as a result, are highly dependent on patient volume and capacity utilization of our affiliated professional contractors to sustain profitability. Our results of operations for any quarter are not necessarily indicative of results of operations for any future period or full year. As a result, our results of operations may fluctuate significantly from period to period. In addition, there recently has been significant volatility in the market price of securities of health care companies that in many cases we believe has been unrelated to the operating performance of these companies. We believe that certain factors, such as legislative and regulatory developments, quarterly fluctuations in our actual or anticipated results of operations, lower revenues or earnings than those anticipated by securities analysts, and general economic and financial market conditions, could cause the price of our common stock to fluctuate substantially.

IF WE ARE UNABLE TO COLLECT REIMBURSEMENTS FROM THIRD PARTY PAYORS IN A TIMELY MANNER FOR OUR SERVICES, OUR REVENUES COULD BE ADVERSELY AFFECTED.

A significant portion of our revenue is derived from reimbursements from various third party payors, including government-sponsored health care plans, private insurance plans and managed care plans, for services provided by our affiliated professional contractors. In addition to being responsible for submitting reimbursement requests to third party payors, we are also responsible for the collection of reimbursements and assume the financial risks relating to uncollectible and delayed reimbursements by third party payors. In the current health care reimbursement environment, we may continue to experience difficulties in collecting reimbursements to which we are entitled for services that we have provided from third party payors, including Medicaid programs and managed care payors. As part of their efforts to manage costs in an increasingly competitive environment, third party payors may seek to reduce, by appeal or otherwise, or delay reimbursements to which we are entitled for services that we have provided. If we are not reimbursed in a timely manner for the services that we provide, our revenues could be adversely affected.

IF OUR PHYSICIANS LOSE THE ABILITY TO PROVIDE SERVICES IN ANY HOSPITALS OR ADMINISTRATIVE FEES PAID TO US BY HOSPITALS ARE REDUCED, OUR REVENUES COULD BE ADVERSELY AFFECTED.

Our net patient service revenue is derived primarily from fee-for-service billings for patient care provided by our physicians and from administrative fees. Our arrangements with certain hospitals provide that if the hospital does not generate sufficient patient volume it will pay us administrative fees in order to guarantee that we receive a specified minimum revenue level. We also receive administrative fees from hospitals for administrative services performed by physicians providing medical director services at the hospital. Administrative fees accounted for 6%, 7% and 6% of our net patient service revenue during 1999, 2000 and 2001, respectively. Our contractual arrangements with hospitals generally are for periods of one to five years and may be terminated by us or the hospital upon 90 days' written notice. While we have in most cases been able to renew these arrangements, hospitals may cancel or not renew our arrangements, or may not pay us administrative fees in the future. To the extent that our arrangements with hospitals are canceled, or are not renewed or replaced with other arrangements with at least as favorable terms, our financial condition and results of operations could be adversely affected. In addition, to the extent our physicians lose their privileges in hospitals or hospitals enter into arrangements with other physicians, our revenues could be adversely affected.

OUR INDUSTRY IS ALREADY COMPETITIVE, AND INCREASED COMPETITION COULD ADVERSELY AFFECT OUR REVENUES.

The health care industry is competitive and subject to continual changes in the method in which services are provided and the manner in which health care providers are selected and compensated. We

believe that private and public reforms in the health care industry emphasizing cost containment and accountability will result in an increasing shift of neonatal and perinatal care from highly fragmented, individual or small practice providers to larger physician groups. Companies in other health care industry segments, such as managers of other hospital-based specialties or currently expanding large physician group practices, some of which have greater financial and other resources than we do, may become competitors in providing neonatal, perinatal and pediatric intensive care physician services to hospitals. We may not be able to continue to compete effectively in this industry, additional competitors may enter our markets, and this increased competition may have an adverse effect on our revenues.

WE ARE DEPENDENT UPON OUR KEY MANAGEMENT PERSONNEL FOR OUR FUTURE SUCCESS.

Our success depends to a significant extent on the continued contributions of our key management, business development, sales and marketing personnel, including one of our principal shareholders, Chief Executive Officer and co-founder, Dr. Roger Medel, for our management and implementation of our growth strategy. The loss of Dr. Medel or other key personnel could have a material adverse effect on our financial condition, results of operations and plans for future development.

THE SUBSTANTIAL NUMBER OF OUR SHARES THAT WILL BE ELIGIBLE FOR SALE IN THE NEAR FUTURE COULD CAUSE THE MARKET PRICE OF OUR COMMON STOCK TO FALL.

The market price of our common stock could fall as a result of sales of a large number of shares of common stock in the market, or the price could remain lower because of the perception that such sales may occur. These factors could also make it more difficult for us to raise funds through future offerings of our common stock.

As of December 31, 2001, there were 24,961,103 shares of our common stock outstanding, all of which are freely tradable without restriction, with the following exceptions:

- 829,089 shares, which are owned by certain of our officers, directors and affiliates, may be resold publicly at any time subject to the volume and other restrictions under Rule 144 of the Securities Act of 1933; and

- 2,254,893 shares, which are owned by Welsh, Carson, Anderson & Stowe VII, L.P. and certain of its affiliates, may not be resold without our consent until May 15, 2002.

As of December 31, 2001, there were also:

- 6,723,116 shares of our common stock reserved for issuance under options issued pursuant to our amended and restated stock option plan, of which options for an aggregate of 4,844,860 shares of common stock were issued and outstanding and options for an aggregate of 2,653,856 shares of common stock were exercisable;

- 848,931 shares of our common stock reserved for issuance under presently exercisable stock options issued by Magella which options were exercisable into shares of our common stock at the time of our acquisition of Magella;

- 437,566 shares of our common stock reserved for issuance under our employee stock purchase plans; and

- 35,000 shares of our common stock reserved for issuance under convertible notes issued by Magella which were convertible into shares of our common stock at the time of our acquisition of Magella.

All shares of common stock issued under the convertible notes, upon the exercise of stock option or under our employee stock purchase plans will be freely tradable, subject to the volume trading

limitations under Rule 144 of the Securities Act of 1933 in respect of shares acquired by our affiliates. Our stock options and convertible notes, entitle holders to purchase shares of our common stock at prices which may be less than the current market price per share of our common stock. Holders of these options and convertible notes will usually exercise or convert them at a time when the market price of our common stock is greater than their exercise price or conversion price, as the case may be. Accordingly, the exercise or conversion of these options and convertible notes and subsequent sale of our common stock could reduce the market price for our common stock and result in dilution to our then shareholders.

IF WE ENTER INTO A SIGNIFICANT NUMBER OF SHARED-RISK CAPITATED ARRANGEMENTS WITH CERTAIN PAYORS, SUCH ARRANGEMENTS COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The evolving managed care environment has created substantial cost containment pressures for the health care industry. Our contracts with payors and managed care organizations traditionally have been fee-for-service arrangements. At December 31, 2001, we had relatively few "capitated" and "case rate" arrangements with certain payors. Under capitated payment arrangements, we receive a flat fee monthly based on the number of individuals covered by that particular insurance plan regardless of the number of patients or types of treatment we provide, and under a case rate payment arrangement, we receive a fixed dollar amount per patient. If we enter into similar arrangements in the future our financial condition and results of operations may be adversely affected if we are unable to manage our risks under these arrangements.

OUR CURRENTLY OUTSTANDING PREFERRED STOCK PURCHASE RIGHTS AND OUR ABILITY TO ISSUE SHARES OF PREFERRED STOCK COULD DETER TAKEOVER ATTEMPTS.

We have adopted a preferred share purchase rights plan. Under this plan, each outstanding share of Pediatrix common stock includes a preferred stock purchase right that entitles the registered holder, subject to the terms of our rights agreement, to purchase from Pediatrix a one-thousandth of a share of our series A junior participating preferred stock at an exercise price of $150 per right for each share of common stock held by the holder. In addition, if a person or group of persons acquires beneficial ownership of 15% or more of the outstanding shares of Pediatrix common stock, each right will permit its holder to purchase $300 worth of Pediatrix common stock for $150. The rights are attached to all certificates representing outstanding shares of Pediatrix common stock, and no separate rights certificates have been distributed. Some provisions contained in the rights agreement may have the effect of discouraging a third party from making an acquisition proposal for Pediatrix and may thereby inhibit a change in control. For example, such provisions may deter tender offers for shares of common stock which offers may be attractive to shareholders, or deter purchases of large blocks of common stock, thereby limiting the opportunity for shareholders to receive a premium for their shares of common stock or exchangeable shares over the then-prevailing market prices.

In addition, our amended and restated articles of incorporation authorize our board of directors to issue up to 1,000,000 shares of undesignated preferred stock and to determine the powers, preferences and rights of these shares, without shareholder approval. This preferred stock could be issued with voting, liquidation, dividend and other rights superior to those of the holders of common stock. The issuance of preferred stock under some circumstances could have the effect of delaying, deferring or preventing a change in control.

PROVISIONS OF OUR BYLAWS COULD DETER TAKEOVER ATTEMPTS WHICH MAY RESULT IN A LOWER MARKET PRICE FOR OUR COMMON STOCK.

Provisions in our amended and restated bylaws, including those relating to calling shareholder meetings, taking action by written consent and other matters, could render it more difficult or discourage an attempt to obtain control of Pediatrix through a proxy contest or consent solicitation. These provisions could limit the price that some investors might be willing to pay in the future for our shares of common stock.

FORWARD LOOKING STATEMENTS MAY PROVE INACCURATE.

Certain information included or incorporated by reference in this Annual Report may be deemed to be "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, that address activities, events or developments that Pediatrix intends, expects, projects, believes or anticipates will or may occur in the future are forward looking statements. Such statements are characterized by terminology such as "believe", "hope", "may", "anticipate", "should", "intend", "plan", "will", "expect", "estimate", "project", "positioned", "strategy" and similar expressions. These statements are based on assumptions and assessments made by Pediatrix's management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. Any forward looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results, developments and business decisions to differ materially from those contemplated by such forward looking statements. We disclaim any duty to update any forward looking statements. Some of the factors that may cause actual results, developments and business decisions to differ materially from those contemplated by such forward-looking statements include the risk factors discussed above.

ITEM 2. PROPERTIES

We lease our corporate office located in Sunrise, Florida (approximately 80,000 square feet). During 2001, we leased space in other facilities in various states for our business and medical offices, storage space, and temporary housing of medical staff, with aggregate annual rents of approximately $5,100,000. See Note 9 to our Consolidated Financial Statements.

ITEM 3. LEGAL PROCEEDINGS

We are subject to various inquiries, investigations and proceedings by governmental agencies relating to Medicaid, Medicare and Tricare reimbursement and other issues. In April 1999, we received requests from investigators in Arizona, Colorado and Florida for information relating to our billing practices for services reimbursed by the Medicaid programs in these states and the Tricare program for military dependents. We settled the Arizona and Florida investigations in 2000. However, the Colorado Medicaid and Tricare investigations, which involve criminal, civil and administrative components, are active and ongoing, and these matters, along with the Arizona and Florida matters, have prompted inquiries by Medicaid officials in other states. We cannot predict whether the Colorado investigation or any other inquiries will have a material adverse effect on our business, financial condition or results of operations or on the trading prices of our shares. We believe that additional billing audits, inquiries and investigations from government agencies will continue to occur in the ordinary course of our business and in the health care services industry in general from time to time. See "Government Regulation" and "Risk Factors--From time to time we are subject to billing investigations by federal and state government authorities which could have an adverse effect on our business and results of operations and the trading prices of our shares" above.

During the ordinary course of business, we have also 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. We believe, based upon our review of these pending matters, that the outcome of such legal actions and proceedings, individually or in the aggregate, will not have a material adverse effect on our financial condition, results of operations or liquidity, notwithstanding any possible lack of insurance recovery. If liability results from medical malpractice claims, there can be no assurance that our medical malpractice insurance coverage will be adequate to cover liabilities arising out of such proceedings. See "Risk Factors--We may be subject to malpractice and other lawsuits, some of which we may not be fully insured against" above.

On December 14, 2001, we announced that we had reached an agreement in principle to settle the securities class action litigation filed against us and certain of our officers in the United States District Court for the Southern District of Florida for a cash payment of $12.0 million. On February 7, 2002, we

and certain of our officers executed a definitive agreement relating to the settlement, and on February 28, 2002, the settlement was approved by a preliminary order of the District Court. The settlement remains subject to final approval of the District Court, and a hearing is scheduled to be held on May 3, 2002 to seek such final approval. We expect that our insurance coverage will adequately cover the financial terms of the settlement.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders during the fiscal quarter ended December 31, 2001.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Pediatrix common stock is traded on the New York Stock Exchange (the "NYSE") under the symbol "PDX". The following table sets forth, for the periods indicated, the high and low sales prices for the common stock as reported on the NYSE.

	High	Low
2000		
First Quarter	$ 12.00	$ 6.75
Second Quarter	11.88	6.44
Third Quarter	16.50	11.25
Fourth Quarter	25.69	12.88
2001		
First Quarter	25.82	18.98
Second Quarter	33.20	21.30
Third Quarter	41.15	30.56
Fourth Quarter	43.17	24.00

As of March 20, 2002, there were approximately 125 holders of record of the 25,483,095 outstanding shares of Pediatrix common stock. The closing sales price for Pediatrix common stock on March 20, 2002 was $38.42 per share.

We did not declare or pay any cash dividends on our common stock in 2000 or 2001, nor do we currently intend to declare or pay any cash dividends in the future, but instead we intend to retain all earnings for the operation and expansion of our business. The payment of any future dividends will be at the discretion of the Board of Directors and will depend upon, among other things, future earnings, results of operations, capital requirements, our general financial condition, general business conditions and contractual restrictions on payment of dividends, if any, as well as such other factors as the Board of Directors may deem relevant. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" below.

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data set forth as of and for each of the five years in the period ended December 31, 2001, have been derived from the Consolidated Financial Statements, which statements have been audited. The following data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the Consolidated Financial Statements and the notes thereto included elsewhere herein.

	Years Ended December 31,				
	1997	1998	1999	2000	2001
	(in thousands, except per share and other operating data)				
CONSOLIDATED INCOME STATEMENT DATA:					
Net patient service revenue(1)(2)	$ 128,850	$ 185,422	$ 227,042	$ 243,075	$ 354,595
Operating expenses:					
Practice salaries and benefits	69,087	98,504	126,972	148,476	197,581
Practice supplies and other operating expenses	2,993	5,679	9,341	11,022	14,297
General and administrative expenses	19,171	23,615	33,655	44,895	62,841
Depreciation and amortization	4,522	8,673	12,068	13,810	21,437
Total operating expenses	95,773	136,471	182,036	218,203	296,156
Income from operations	33,077	48,951	45,006	24,872	58,439
Investment income	2,102	564	296	358	309
Interest expense	(324)	(1,013)	(2,697)	(3,771)	(2,538)
Income before income taxes	34,855	48,502	42,605	21,459	56,210
Income tax provision	13,942	19,403	17,567	10,473	25,782
Net income	$ 20,913	$ 29,099	$ 25,038	$ 10,986	$ 30,428
PER SHARE DATA:					
Net income per common share:					
Basic	$ 1.39	$ 1.91	$ 1.61	$ 0.70	$ 1.44
Diluted	$ 1.33	$ 1.82	$ 1.58	$ 0.68	$ 1.36
Weighted average shares used in computing net income per common share:					
Basic	15,021	15,248	15,513	15,760	21,159
Diluted	15,743	15,987	15,860	16,053	22,478

	Years Ended December 31,				
	1997	1998	1999	2000	2001
	(in thousands, except per share and other operating data)				
OTHER OPERATING DATA:					
Number of physicians at end of period	260	350	434	452	588
Number of births	200,616	268,923	337,480	381,602	450,205
NICU admissions	21,203	27,911	33,942	39,272	48,186
NICU patient days	325,199	450,225	548,064	637,957	804,293
CONSOLIDATED BALANCE SHEET DATA:					
Cash and cash equivalents	$ 18,562	$ 650	$ 825	$ 3,075	$ 27,557
Working capital (deficit)(3)	53,908	14,915	(16,352)	2,108	34,381
Total assets	203,719	270,658	334,790	324,734	573,099
Total liabilities	40,010	63,265	105,903	82,834	94,247
Borrowings under line of credit	--	7,850	48,393	23,500	--
Long-term debt and capital lease obligations, including current maturities	2,750	2,550	2,350	--	3,206
Shareholders' equity	163,709	201,051	228,887	241,900	478,852

(1) The Company adds new physician practices as a result of acquisitions and internal marketing activities. The increase in net patient service revenue related to acquisitions (including our acquisition of Magella) and internal marketing activities was approximately $50.0 million, $49.5 million, $13.9 million and $86.6 million for the years ended December 31, 1998, 1999, 2000, and 2001, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" below.

(2) Net patient service revenue for the year ended December 31, 2000, included a charge of $6.5 million, which was recorded during the quarter ended June 30, 2000, to increase the allowance for contractual adjustments and uncollectible accounts. This charge was attributable to management's assessment of accounts receivable, which was revised to reflect the changes occurring in the Company's collection rates. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" below.

(3) At December 31, 1999 and 2000, the balance outstanding on the Company's line of credit was classified as a current liability.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion highlights the principal factors affecting our financial condition and results of operations as well as our liquidity and capital resources for the periods described. This discussion should be read in conjunction with the Consolidated Financial Statements and related notes thereto appearing elsewhere in this Form 10-K. The operating results for the periods presented were not significantly affected by inflation.

GENERAL

Pediatrix is the nation's leading provider of neonatal physician services to hospital-based NICUs. In addition, we are the nation's leading provider of perinatal physician services. We were founded in 1979 by Drs. Roger Medel and Gregory Melnick. Since obtaining our first hospital contract in 1980, we have grown by increasing revenues at existing units ("same unit growth") and by adding new units. We also provide physician services to hospital-based PICUs and pediatrics departments in hospitals.

On May 15, 2001, we acquired Magella Healthcare Corporation ("Magella") in a merger transaction (the "Merger"). The total purchase price for Magella was $173.6 million, which we paid in shares of our common stock. In connection with the Merger, we recorded assets totaling approximately $232.8 million, including approximately $206.5 million in goodwill, and assumed liabilities of approximately $59.2 million. As a result of the merger, Magella became a wholly owned subsidiary of Pediatrix and the former stockholders of Magella became shareholders of Pediatrix. The Merger has been accounted for by Pediatrix as an acquisition of Magella under the purchase method of accounting for business combinations. This discussion and the Consolidated Financial Statements included elsewhere in this report reflect our operations and financial results of the Company, which from May 15, 2001, includes the business and operations of Magella.

In addition to the Merger, we completed six acquisitions and added seven NICUs through our internal marketing activities during 2001. We have developed integrated regional networks, including both neonatology and perinatology, in the Austin, Dallas-Fort Worth, Denver-Colorado Springs, Des Moines, Kansas City, Las Vegas, Phoenix-Tucson, Reno, San Antonio, San Jose, Seattle-Tacoma and Southern California metropolitan areas and intend to develop additional regional and statewide networks. We believe that these networks, augmented by ongoing marketing and acquisition efforts, will strengthen our position with managed care organizations and other third party payors.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires estimates and assumptions that affect the reporting of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Certain of our accounting policies are critical to understanding our financial statements because their application places significant demands on management's judgment, with financial reporting results relying on estimates of matters that are inherently uncertain.

We believe that the critical accounting policies described in the following paragraphs affect the most significant estimates and assumptions used in the preparation of our consolidated financial statements. For all these policies, we caution that future events rarely develop exactly as estimated, and the best estimates routinely require adjustment.

REVENUE RECOGNITION

We recognize patient service revenue at the time services are provided by our affiliated physicians. Patient service revenue is presented net of an estimated provision for contractual adjustments

and uncollectibles. Management estimates allowances for contractual adjustments and uncollectibles on accounts receivable based on historical and other factors, including an evaluation of expected adjustments and delinquency rates, past adjustment and collection experience in relation to amounts billed, current economic conditions, and other relevant information. Contractual adjustments result from the difference between the physician rates for services performed and reimbursements by government-sponsored health care programs and insurance companies for such services. The evaluation of these factors involves complex, subjective judgments. Changes in these factors may significantly impact our Consolidated Financial Statements. See Notes 2 and 3 to our Consolidated Financial Statements for additional information regarding adjustments to these allowances.

PROFESSIONAL LIABILITY COVERAGE

We maintain professional liability coverage, which indemnifies us and our health care professionals on a claims-made basis with a portion of self insurance retention. We record a liability for self-insured deductibles and an estimate of liabilities for claims incurred but not reported based on an actuarial valuation which is based on historical loss patterns. An inherent assumption in such estimates is that historical loss patterns can be used to predict future patterns with reasonable accuracy. Because many factors can affect past and future loss patterns, the effect of changes in such factors on our estimates must be carefully evaluated. The evaluation of these factors involves complex, subjective judgments. Insurance liabilities are necessarily based on estimates, and actual results may vary significantly from such estimates. Liabilities for claims incurred but not reported are not discounted.

GOODWILL

We record acquired assets and liabilities at their respective fair values under the purchase method of accounting, recording to goodwill the excess of cost over the fair value of the net assets acquired. Goodwill related to acquisitions completed prior to July 1, 2001 was amortized through the year ended December 31, 2001 on a straight-line basis over 25 years.

We evaluate long-lived assets, including goodwill and identifiable intangibles, at least annually and record an impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be fully recoverable. The recoverability of such assets, which consist primarily of goodwill, is measured by a comparison of the carrying value of the assets to the future undiscounted cash flows before interest charges to be generated by the assets. For goodwill, we consider various factors relating to each acquired business, including hospital and physician contract changes, local market developments, changes in third-party payments, national health care trends, and other publicly-available information. If these factors indicate that goodwill is impaired, the impairment to be recognized is measured as the excess of the carrying value over the fair value. Long-lived assets, including goodwill and identifiable intangibles, to be disposed of are reported at the lower of the carrying value or fair value less disposal costs. We do not believe there are any indicators that would require an adjustment to such assets or their estimated periods of recovery at December 31, 2001 pursuant to the current accounting standards. However, the evaluation of these factors involves complex, subjective judgments, and actual results may vary significantly from such estimates. See "Accounting Matters" below and Note 2 to our Consolidated Financial Statements.

Other significant accounting policies, not involving the same level of measurement uncertainties as those discussed above, are nevertheless important to an understanding of the financial statements. For example, our financial statements are presented on a consolidated basis with our affiliated professional associations, corporations and partnerships (the "PA Contractors") because we or one of our subsidiaries have entered into management agreements with our PA Contractors meeting the criteria set forth in the Emerging Issues Task Force Issue 97-2 for a "controlling financial interest". Our management agreements are further described in Note 2 to our Consolidated Financial Statements. Such policies often require difficult judgments on complex matters that are often subject to multiple sources of authoritative guidance and such matters are among topics currently under reexamination by accounting standards setters and regulators. Although no specific conclusions reached by these standard setters appear likely to cause a material change in our accounting policies, outcomes cannot be predicted with

confidence. Also see Note 2 to our Consolidated Financial Statements, which discusses accounting policies that have been selected by management.

PAYOR MIX

We bill payors for services provided by physicians based upon rates for the specific services provided. The rates are substantially the same for all patients in a particular geographic area regardless of the party responsible for paying the bill. We determine our net patient service revenue based upon the difference between our gross fees for services and our ultimate collections from payors, which differ from the gross fees due to (i) Medicaid reimbursements at government-established rates, (ii) managed care payments at contracted rates, (iii) various reimbursement plans and negotiated reimbursements from other third parties, and (iv) discounted and uncollectible accounts of private pay patients.

Our payor mix is comprised of government (principally Medicaid), contracted managed care, other third parties and private pay patients. We benefit from the fact that most of the medical services provided at the NICU or PICU are classified as emergency services, a category typically classified as a covered service by managed care payors. In addition, we benefit when patients are covered by Medicaid, despite Medicaid's lower reimbursement rates as compared with other payors, because typically these patients would not otherwise be able to pay for services due to lack of insurance coverage. However, a significant increase in the government, managed care or capitated components of our payor mix at the expense of other third party payors, as we have experienced in the last few years, could result in reduced reimbursement rates and, in the absence of increased patient volume, could have a material adverse effect on our financial condition and results of operations. See our description of the charge recorded in 2000 under "Results of Operations - Year Ended December 31, 2000, as Compared to Year Ended December 31, 1999" below. The following is a summary of our payor mix, expressed as a percentage of net patient service revenue, exclusive of administrative fees, for the periods indicated.

	Years Ended December 31,		
	1999	2000	2001
Government	21%	21%	23%
Contracted managed care	45%	48%	49%
Other third parties	33%	30%	27%
Private pay	1%	1%	1%
	100%	100%	100%

The payor mix shown above is not necessarily representative of the amount of services provided to patients covered under these plans. For example, services provided to patients covered under government programs represented approximately 45% of our total gross patient service revenue but only 23% of our net patient service revenue during 2001.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain information related to our operations expressed as a percentage of our net patient service revenue (patient billings net of contractual adjustments and uncollectibles, and including administrative fees):

	Years Ended December 31,		
	1999	2000	2001
Net patient service revenue	100%	100%	100%
Operating expenses:			
Practice salaries and benefits	55.9	61.1	55.7
Practice supplies and other operating expenses	4.1	4.5	4.0
General and administrative expenses	14.9	18.5	17.7
Depreciation and amortization	5.3	5.7	6.1
Total operating expenses	80.2	89.8	83.5
Income from operations	19.8	10.2	16.5
Other income (expense), net	(1.1)	(1.4)	(0.6)
Income before income taxes	18.7	8.8	15.9
Income tax provision	7.7	4.3	7.3
Net income	11.0%	4.5%	8.6%

YEAR ENDED DECEMBER 31, 2001 AS COMPARED TO YEAR ENDED DECEMBER 31, 2000

Our net patient service revenue increased $111.5 million, or 45.9%, to $354.6 million for the year ended December 31, 2001, as compared with $243.1 million for the same period in 2000. Net patient service revenue for the year ended December 31, 2000 included a charge of $6.5 million, which was recorded during the quarter ended June 30, 2000, to increase the allowance for contractual adjustments and uncollectible accounts.

Excluding the $6.5 million charge, net patient service revenue increased by $105.0 million, or 42.1%, for the year ended December 31, 2001. Of this $105.0 million increase, approximately $86.5 million, or 82.4%, was attributable to new units at which we provide services as a result of acquisitions, including units that were obtained in the Merger. Same unit patient service revenue increased approximately $18.5 million, or 7.6%, for the year ended December 31, 2001. The increase in same unit net patient service revenue is primarily the result of (i) improved collection performance due to process changes implemented in the last 18 months including the regionalization of billing and collection functions; (ii) improved managed care contracting; (iii) the flow through of price increases implemented after the completion of the Merger; (iv) higher acuity level of patient services billed; and (v) volume increases. Same units are those units at which we provided services for all of 2001 and 2000.

Practice salaries and benefits increased $49.1 million, or 33.1%, to $197.6 million for the year ended December 31, 2001, as compared with $148.5 million for the same period in 2000. The increase was attributable to new physicians and other clinical staff as a result of the Merger, and to support new unit growth and volume growth at existing units.

Practice supplies and other operating expenses increased $3.3 million, or 29.7%, to $14.3 million for the year ended December 31, 2001, as compared with $11.0 million for the same period in 2000. Of this $3.3 million increase, approximately $1.6 million was attributable to increased costs related to the Merger. The remaining approximately $1.7 million was primarily attributable to: (i) increases in rent for medical equipment and medical office space; and (ii) an increase in medical supplies related to the growth in our national hearing screen program.

General and administrative expenses include all salaries and benefits and supplies and other operating expenses not specifically related to the day-to-day operations of our physician group practices. General and administrative expenses increased $17.9 million, or 40.0%, to $62.8 million for the year ended December 31, 2001, as compared to $44.9 million for the same period in 2000. Of this $17.9 million increase, approximately $8.2 million, or 45.8%, was attributable to increased costs for services provided to the practices acquired in the Merger. Approximately $9.7 million, or 54.2%, was primarily due to an increase costs for: (i) salaries and benefits for billing and collections personnel as we continued our

regionalization of billing and collection functions; (ii) legal fees related to government investigations and our class action lawsuit; (iii) rent and other operating expenses related to the expansion of our regional billing and collection offices; and (iv) information services for the development and support of clinical and operational systems.

Depreciation and amortization expense increased by approximately $7.6 million, or 55.2% to $21.4 million for the year ended December 31, 2001, as compared with $13.8 million for the same period in 2000, primarily as a result of depreciation on fixed asset additions and amortization of goodwill in connection with the Merger and other acquisitions.

Income from operations increased approximately $33.5 million, or 135.0%, to approximately $58.4 million for the year ended December 31, 2001, as compared with $24.9 million for the same period in 2000. Our operating margin increased 6.3 percentage points to 16.5% for the year ended December 31, 2001, as compared to 10.2% for the same period in 2000. Excluding the $6.5 million charge to revenue in the 2000 period, income from operations increased $27.0 million and operating margin increased 3.9 percentage points.

We recorded net interest expense of approximately $2.2 million for the year ended December 31, 2001, as compared with net interest expense of approximately $3.4 million for the same period in 2000. The decrease in interest expense in 2001 is primarily the result of a net reduction in the average balance outstanding under our line of credit.

Our effective income tax rate was approximately 45.9% and 48.8% for the years ended December 31, 2001 and 2000, respectively. The decrease in the tax rate for the year ended December 31, 2001 is primarily due to the reduction of non-deductible amounts associated with goodwill as a percentage of our pretax income.

Net income increased to approximately $30.4 million for the year ended December 31, 2001, as compared to $11.0 for the same period in 2000.

Diluted net income per common and common equivalent share was $1.36 on weighted average shares of 22.5 million for the year ended December 31, 2001, as compared to $.68 on the weighted average shares of 16.1 million for the year ended December 31, 2000. The significant increase in the weighted average shares outstanding is due to: (i) the shares issued in the Merger which were outstanding from May 15, 2001; (ii) the dilutive effect of convertible notes and stock options assumed in the Merger; and (iii) an increase in our stock price.

YEAR ENDED DECEMBER 31, 2000 AS COMPARED TO YEAR ENDED DECEMBER 31, 1999

Our net patient service revenue increased $16.1 million, or 7.1%, to $243.1 million for the year ended December 31, 2000, as compared with $227.0 million for the same period in 1999. Net patient service revenue for the year ended December 31, 2000 includes a charge of $6.5 million, which was recorded during the quarter ended June 30, 2000, to increase the allowance for contractual adjustments and uncollectible accounts. This charge is attributable to management's assessment of accounts receivable, which was revised to reflect the decline occurring in our collection rates. This decline in collection rates is the result of:

- an increased use of non-critical care codes on which we realize a lower collection rate as a percentage of billed charges. Since the billing inquiries began in the second quarter of 1999, the physicians employed by us have been billing for non-critical care services at a higher rate than prior to these inquiries. Based upon the fee schedules established by government-sponsored health care programs and contracted rates with managed care organizations, we receive a lower percentage of the fee charged for these services than for critical care services.

- a significant decline in the reimbursement from non-contracted payors. Approximately 30% of our Company's net patient service revenue, exclusive of administrative fees, is derived from payors

that do not have a contractual relationship with us. Historically, we have received a significant portion of our billed charges as reimbursement from these payors, although in late 1999 and throughout 2000 we realized a decline in our collections as a percentage of charges billed to these companies. This decline is primarily due to a reduction in the payors' established "usual and customary" rates (rates set by insurance companies as reimbursement for non-contracted services) and the passage of legislation in some states that limits our ability to collect from patients. While we appeal the payor's usual and customary determination, we have seen continued delays in settlement of receivables under appeal and increased instances of the payor denying any additional payment.

- o continued difficulties in the health care reimbursement environment, primarily with managed care payors.

- o disruption within our collection offices due to the billing inquiries and the transition to a regional collection structure. During 2000 and the last half of 1999, the billing and collection functions realized significant disruption as we allocated resources within those departments to obtain information requested in the billing inquiries. Additionally, we transitioned our collection function into a regional structure which included the movement of collection activities for certain billings. This transition of collection responsibility resulted in a certain level of disruption due to the lack of continuity in the collection function.

Excluding the $6.5 million charge, net patient service revenue increased by $22.5 million, or 9.9%, for the year ended December 31, 2000. Of this $22.5 million increase, approximately $13.9 million, or 61.8%, was attributable to new units, including units at which we provide services as a result of acquisitions. Same unit patient service revenue increased approximately $8.6 million, or 3.8%, for the year ended December 31, 2000. Same units are those units at which we provided services for all of 2000 and 1999. While we realized growth in same unit revenue, the increase was at a lower rate than the growth in services provided during 2000. The lower rate of growth was the result of an increased use of non-critical care codes in 2000 as compared to 1999, and a higher provision for contractual adjustments and uncollectible accounts.

Practice salaries and benefits increased $21.5 million, or 16.9%, to $148.5 million for the year ended December 31, 2000, as compared with $127.0 million for the same period in 1999. The increase was primarily attributable to hiring new physicians and other clinical staff, to support new unit growth and volume growth at existing units.

Practice supplies and other operating expenses increased $1.7 million, or 18.0%, to $11.0 million for the year ended December 31, 2000, as compared with $9.3 million for the same period in 1999. The increase was primarily attributable to increased costs related to the addition of new outpatient offices.

General and administrative expenses increased $11.2 million, or 33.4%, to $44.9 million for the year ended December 31, 2000, as compared to $33.7 million for the same period in 1999. Of this $11.2 million increase, approximately $9.0 million, or 80.4%, was attributable to an increase in: (i) salaries and benefits for billing and collections personnel as we continued our regionalization of our billing and collection functions; (ii) information services for the development and support of clinical and operational systems; (iii) additional rent expense related to our corporate and regional collection offices; (iv) increased legal fees related to government investigations; and (v) increased supply and other operating costs related to regional billing and collection offices.

Depreciation and amortization expense increased by approximately $1.7 million, or 14.4%, to $13.8 million for the year ended December 31, 2000, as compared with $12.1 million for the same period in 1999, primarily as a result of depreciation on fixed asset additions and amortization of goodwill in connection with acquisitions.

Income from operations decreased approximately $20.1 million, or 44.7%, to approximately $24.9 million for the year ended December 31, 2000, as compared with $45.0 million for the same period in 1999. Excluding the $6.5 million charge to revenue, income from operations declined $13.6 million.

Operating margin declined to 10.2% in 2000 from 19.8% in 1999. This decline was primarily due to: (i) lower net revenue for services provided due to an increased use of non-critical care codes and a higher provision for contractual adjustments and uncollectible accounts; (ii) a charge of $6.5 million to increase the allowance for contractual adjustments and uncollectible accounts; and (iii) increased administrative costs as a result of our regionalization of billing and collection functions.

We recorded net interest expense of approximately $3.4 million for the year ended December 31, 2000, as compared with net interest expense of approximately $2.4 million for the same period in 1999. The increase in interest expense in 2000 is primarily the result of funds used for the acquisition of physician practices and the use of our line of credit for such purposes.

The effective income tax rate was approximately 48.8% and 41.2% for the years ended December 31, 2000 and 1999, respectively. The increase in the tax rate was due to the growth of non-deductible amounts associated with goodwill as a percentage of pretax income.

Net income decreased 56.1% to $11.0 million for the year ended December 31, 2000, as compared to $25.0 million for the same period in 1999. Diluted net income per common and common equivalent share decreased to $.68 for the year ended December 31, 2000, compared to $1.58 for the year ended December 31, 1999.

QUARTERLY RESULTS

The following table presents certain unaudited quarterly financial data for each of the quarters in the years ended December 31, 2000 and 2001. This information has been prepared on the same basis as the Consolidated Financial Statements appearing elsewhere in this Form 10-K and includes, in our opinion, all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the quarterly results when read in conjunction with the Consolidated Financial Statements and the notes thereto. We have historically experienced and expect to continue to experience quarterly fluctuations in net patient service revenue and net income. These fluctuations are primarily due to the following factors:

- A significant number of employees, including physicians, at Pediatrix exceed the level of taxable wages for social security during the first and second quarter of the year. As a result, we incur a significantly higher payroll tax burden during those quarters.

- A lower number of calendar days are present in the first and second quarters of the year as compared to the remainder of the year. Since we provide services in the NICU on a 24 hour basis, 365 days a year, any reduction in service days will have a corresponding reduction in net patient service revenue.

Additionally, the quarterly results may be impacted by the timing of acquisitions and any fluctuation in patient volume. As a result, the operating results for any quarter are not necessarily indicative of results for any future period or for the full year.

	2000 Calendar Quarters				2001 Calendar Quarters			
	First	Second	Third	Fourth	First	Second	Third	Fourth
	(in thousands, except for per share data)							
Net patient service revenue	$ 59,409	$ 55,178	$ 64,272	$ 64,216	$ 63,920	$ 83,137	$ 102,784	$ 104,754
Operating expenses:								
Practice salaries and benefits	36,659	37,073	37,795	36,949	38,249	46,424	55,899	57,010
Practice supplies and other operating expenses	2,230	2,689	2,915	3,188	2,897	3,564	3,898	3,937
General and administrative expenses	10,135	11,153	11,712	11,895	12,191	15,577	16,896	18,177
Depreciation and amortization	3,336	3,435	3,478	3,561	3,578	5,103	6,344	6,412
Total operating expenses	52,360	54,350	55,900	55,593	56,915	70,668	83,037	85,536
Income from operations	7,049	828	8,372	8,623	7,005	12,469	19,747	19,218
Other expense, net	(907)	(941)	(893)	(672)	(452)	(715)	(695)	(367)
Income (loss) before income taxes	6,142	(113)	7,479	7,951	6,553	11,754	19,052	18,851
Income tax provision	2,764	178	3,650	3,881	2,949	5,397	8,733	8,703
Net income (loss)	$ 3,378	$ (291)	$ 3,829	$ 4,070	$ 3,604	$ 6,357	$ 10,319	$ 10,148
Per share data:								
Net income (loss) per common and common equivalent share:								
Basic	$ .22	$ (.02)	$ .24	$ .26	$ .23	$ .32	$ .43	$ .41
Diluted	$ .22	$ (.02)	$ .24	$ .25	$ .22	$ .30	$ .40	$ .39

The net loss in the second quarter of 2000 was the result of a $6.5 million dollar charge against net patient service revenue to increase the allowance for contractual adjustments and uncollectible accounts. The significant increase in net patient service revenue reflected in the second, third and fourth quarters of 2001 is primarily related to the Merger which was completed on May 15, 2001.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2001, we had approximately $27.6 million of cash and cash equivalents on hand as compared to $3.1 million at December 31, 2000. Additionally, we had working capital of approximately $34.4 million at December 31, 2001, an increase of $32.3 million from working capital of $2.1 million at December 31, 2000.

We generated cash flow from operating activities of $24.0 million, $36.1 million and $90.3 million for the years ended December 31, 1999, 2000 and 2001, respectively. In 2000, we realized a significant increase in the cash provided from operating activities as compared to 1999. This increase was primarily due to a significant reduction in days' revenue outstanding in accounts receivable, primarily in the second half of 2000, and a significant decrease in income taxes paid due to a decline in pre-tax income. In 2001, we continued to realize a significant increase in cash provided from operating activities as compared to 2000. This increase was due to the continued reduction in days' revenue outstanding combined with the impact of the Merger on cash provided from operating activities.

During 2001, we completed the acquisition of six physician practices, using approximately $19.8 million in cash. These acquisitions were funded principally by cash generated from operations.

In the third quarter of 2001, we refinanced our $75 million line of credit, which matured on September 30, 2001, with an amended and restated credit agreement (the "Line of Credit") in the amount of $100 million. At our option, the Line of Credit, which matures on August 14, 2004, bears interest at either the prime rate or the Eurodollar rate plus an applicable margin rate ranging from 2% to 2.75%. The Line of Credit is collateralized by substantially all of our assets. We are subject to certain covenants and restrictions specified in our Line of Credit, including covenants that require us to maintain a minimum level of net worth and earnings and a restriction on the payment of dividends and certain other distributions, as specified therein. At December 31, 2001, we are in compliance with such financial covenants. We had no outstanding balance under our Line of Credit at December 31, 2001, as compared to $23.5 million at December 31, 2000. The decrease is primarily due to the increase in cash provided from operations. At December 31, 2001, we had $100 million available under our Line of Credit.

We maintain professional liability coverage that indemnifies us and our health care professionals on a claims-made basis for losses incurred related to medical malpractice litigation with a portion of self insurance retention. We record a liability for self-insured deductibles and an estimated liability for malpractice claims incurred but not reported based on an actuarial valuation. Our current professional liability insurance policy expires May 1, 2002, and we are currently reviewing our coverage options, which will include a higher self-insured retention. We also maintain directors and officers insurance coverage that indemnifies us for losses incurred related to securities litigation and other litigation brought against management. Our current professional liability and directors and officers insurance coverage expires on November 30, 2002. There can be no assurance that we will be able to obtain substantially similar coverage for professional liability and directors and officers insurance upon expiration or that such coverage will be available at acceptable costs or on favorable terms.

The health care services industry is highly regulated. We believe that billing audits, inquiries and investigations by government agencies will continue to occur in the ordinary course of our business and in the health care services industry in general. In response to such billing audits, inquiries and investigations, our affiliated physicians could take an unduly conservative approach to coding for their services by, for example, increasing the use of non-critical care codes, for which our reimbursement is lower than critical care codes, as they may have in the past. If they were to do this, we could receive lower reimbursements from third party payors which could have a material adverse effect on our liquidity and capital resources.

We expect that our insurance coverage will adequately cover the financial terms of our recent settlement of the class action securities litigation filed against us and certain of our directors in the United States District Court for the Southern District of Florida and, therefore, that the settlement will not have a material adverse effect on our liquidity.

Our annual capital expenditures have typically been for computer hardware and software and for furniture, equipment and improvements at the corporate headquarters and our regional offices. During the year ended December 31, 2001, capital expenditures amounted to approximately $7.1 million.

At December 31, 2001, the Company had certain obligations and commitments under promissory notes, capital leases and operating leases totaling approximately $32.8 million. Such amount consisted of approximately $3.2 million in obligations under promissory notes and capital lease obligations, and approximately $29.6 million in commitments under operating leases. Such obligations mature as follows: 2002 - $7.2 million; 2003-2004 - $17.2 million; 2005-2006 - $7.7 million; and $0.7 million thereafter.

We anticipate that funds generated from operations, together with cash on hand, and funds available under our Line of Credit, will be sufficient to meet our working capital requirements, finance our required capital expenditures and meet our contractual obligations for at least the next 12 months.

ACCOUNTING MATTERS

In June 2001, the Financial Accounting Standards Board (the "Board") issued Statements of Financial Accounting Standards No. 141 ("FAS 141"), "Business Combinations," and No. 142 ("FAS 142"),

"Goodwill and Other Intangible Assets." FAS 141 (i) requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001; (ii) establishes specific criteria for the initial recognition and measurement of intangible assets separately from goodwill; and (iii) requires unallocated negative goodwill be written off immediately. FAS 142 supersedes APB 17, INTANGIBLE ASSETS, and is effective for fiscal years beginning after December 15, 2001. FAS 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their initial recognition. FAS 142 (i) prohibits the amortization of goodwill and indefinite-lived intangible assets, (ii) requires that goodwill and indefinite-lived intangible assets be tested annually for impairment (and in interim periods if certain events occur indicating that the carrying value of goodwill and/or indefinite-lived intangible assets may be impaired), (iii) requires that reporting units be identified for the purpose of assessing potential future impairments of goodwill, and (iv) removes the forty-year limitation on the amortization period of intangible assets that have finite lives. FAS 141 is effective for all business combinations initiated after June 30, 2001. FAS 142 is effective for fiscal years beginning after December 15, 2001 with two exceptions: (i) goodwill and intangible assets acquired after June 30, 2001 are immediately subject to the nonamortization provisions of the Statement, and (ii) the provisions of the Statement are not applicable to mutual enterprises and not-for-profit organizations until further deliberation by the Board.

Effective July 1, 2001, we adopted the provisions of FAS 141 and the nonamortization provisions of FAS 142 pertaining to goodwill recorded in connection with acquisitions consummated subsequent to June 30, 2001. The adoption of the provisions of FAS 141 and the nonamortization provisions of FAS 142 did not have a material impact on our results of operations for the year ended December 31, 2001.

We will fully adopt the provisions of FAS 142 in the first quarter of 2002. We are in the process of determining what our reporting units are and what amounts of goodwill, other assets, and liabilities should be allocated to those reporting units. We will no longer record approximately $20.3 million of amortization expense relating to our existing goodwill for the year ended December 31, 2002.

FAS 142 requires that goodwill be tested annually for impairment using a two-step process. The first step is to identify a potential impairment and, in transition, this step must be completed within six months of adoption and measured as of the beginning of the fiscal year. We expect to complete the first step during the first quarter of 2002. The second step measures the amount of the impairment loss as of the beginning of the year of adoption, if any, and must be completed by the end of our fiscal year. Any impairment loss resulting from the transitional impairment tests will be reflected as the cumulative effect of a change in accounting principle in the first quarter of 2002. We have not yet determined what effect these impairment tests will have on our financial position and results of operations.

In October 2001, the Board issued Statement of Financial Accounting Standards No. 144 ("FAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets." FAS 144 supersedes Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," and addresses (i) the recognition and measurement of the impairment of long-lived assets to be held and used and (ii) the measurement of long-lived assets to be disposed of by sale. FAS 144 is effective for fiscal years beginning after December 15, 2001. We are currently assessing the impact, if any, of the adoption of this statement on the Company's financial position and results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our Line of Credit and certain operating lease agreements are subject to market risk and interest rate changes. The total amount available under our Line of Credit is $100 million. At our option, the Line of Credit bears interest at either the prime rate or the Eurodollar rate plus an applicable margin rate ranging from 2% to 2.75%. The leases bear interest at LIBOR-based variable rates. There was no outstanding principal balance on the Line of Credit at December 31, 2001. The outstanding balances related to the operating leases totaled approximately $16.8 million at December 31, 2001. Considering the total outstanding balances under these instruments at December 31, 2001 of approximately $16.8 million, a 1% change in interest rates would result in an impact to pre-tax earnings of approximately $168,000 per year.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following Consolidated Financial Statements of the Company are included in this Annual Report on Form 10-K on the pages set forth below:

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of
Pediatrix Medical Group, Inc.

In our opinion, the consolidated financial statements listed in the index appearing under Item 8 on page 34 of the Annual Report in which our report is included present fairly, in all material respects, the financial position of Pediatrix Medical Group, Inc. and subsidiaries (the "Company") at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule appearing under Item 14(a)(2) of the Annual Report on page 58 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Fort Lauderdale, Florida
January 31, 2002, except as to
the fourth paragraph of Note 9
which is as of February 28, 2002

PEDIATRIX MEDICAL GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31,	
	2000	2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,075	$ 27,557
Accounts receivable, net	69,133	63,851
Prepaid expenses	831	3,110
Deferred income taxes	--	5,515
Other assets	836	12,925
Total current assets	73,875	112,958
Property and equipment, net	9,629	14,836
Goodwill and other assets, net	241,230	445,305
Total assets	$324,734	$573,099
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities:		
Line of credit	$ 23,500	$ --
Accounts payable and accrued expenses	29,878	73,203
Current portion of long-term debt and capital lease obligations	--	531
Income taxes payable	3,266	4,843
Deferred income taxes	15,123	--
Total current liabilities	71,767	78,577
Long-term debt and capital lease obligations	--	2,675
Deferred income taxes	7,197	9,846
Deferred compensation	3,870	3,149
Total liabilities	82,834	94,247
Commitments and contingencies		
Shareholders' equity:		
Preferred stock; $.01 par value, 1,000,000 shares authorized, none issued and outstanding at December 31, 2000 and 2001	--	--
Common stock; $.01 par value, 50,000,000 shares authorized at December 31, 2000 and 2001, 15,877,815 and 24,961,103 shares issued and outstanding at December 31, 2000 and 2001, respectively	159	250
Additional paid-in capital	135,540	341,973
Retained earnings	106,201	136,629
Total shareholders' equity	241,900	478,852
Total liabilities and shareholders' equity	$324,734	$573,099

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

PEDIATRIX MEDICAL GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except for per share data)

	Years Ended December 31,		
	1999	2000	2001
Net patient service revenue	$ 227,042	$ 243,075	$ 354,595
Operating expenses:			
Practice salaries and benefits	126,972	148,476	197,581
Practice supplies and other operating expenses	9,341	11,022	14,297
General and administrative expenses	33,655	44,895	62,841
Depreciation and amortization	12,068	13,810	21,437
Total operating expenses	182,036	218,203	296,156
Income from operations	45,006	24,872	58,439
Investment income	296	358	309
Interest expense	(2,697)	(3,771)	(2,538)
Income before income taxes	42,605	21,459	56,210
Income tax provision	17,567	10,473	25,782
Net income	$ 25,038	$ 10,986	$ 30,428
Per share data:			
Net income per common and common equivalent share:			
Basic	$ 1.61	$ .70	$ 1.44
Diluted	$ 1.58	$ .68	$ 1.36
Weighted average shares used in computing net income per common and common equivalent share:			
Basic	15,513	15,760	21,159
Diluted	15,860	16,053	22,478

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

PEDIATRIX MEDICAL GROUP, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands)

	Common Stock		Additional Paid in Capital	Retained Earnings	Total Shareholders' Equity
	Number of Shares	Amount			
Balance at December 31, 1998	15,400	$ 154	$ 130,720	$ 70,177	$ 201,051
Net income	--	--	--	25,038	25,038
Common stock issued under employee stock option and stock purchase plans	225	2	2,253	--	2,255
Tax benefit related to employee stock options and stock purchase plans	--	--	792	--	792
Other	--	--	(249)	--	(249)
Balance at December 31, 1999	15,625	156	133,516	95,215	228,887
					156
Net income	--	--	--	10,986	10,986
Common stock issued under employee stock option and stock purchase plans	253	3	1,582	--	1,585
Tax benefit related to employee stock options and stock purchase plans	--	--	442	--	442
Balance at December 31, 2000	15,878	159	135,540	106,201	241,900
Net income	--	--	--	30,428	30,428
Common stock issued in connection with the Merger	7,293	73	152,417	--	152,490
Fair value of stock options assumed in the Merger	--	--	18,932	--	18,932
Common stock issued under employee stock option and stock purchase plans	1,253	13	15,820	--	15,833
Common stock issued for convertible notes	537	5	11,867	--	11,872
Tax benefit related to employee stock options and stock purchase plans	--	--	7,397	--	7,397
Balance at December 31, 2001	24,961	$ 250	$ 341,973	$ 136,629	$ 478,852

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

PEDIATRIX MEDICAL GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,		
	1999	2000	2001
Cash flows from operating activities:			
Net income	$ 25,038	$ 10,986	$ 30,428
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation and amortization	12,068	13,810	21,437
Deferred income taxes	5,729	(1,340)	(14,725)
Loss on sale of assets	--	15	--
Changes in assets and liabilities:			
Accounts receivable	(16,127)	8,593	17,676
Prepaid expenses and other assets	(42)	(237)	(1,765)
Other assets	(236)	(73)	5,436
Accounts payable and accrued expenses	646	779	22,992
Income taxes payable	(3,054)	3,616	8,857
Net cash provided from operating activities	24,022	36,149	90,336
Cash flows from investing activities:			
Physician group acquisition payments	(51,443)	(9,033)	(23,734)
Purchase of subsidiary stock	(17,151)	--	--
Purchase of property and equipment	(3,608)	(4,346)	(7,088)
Proceeds from sale of assets	--	5,138	--
Net cash used in investing activities	(72,202)	(8,241)	(30,822)
Cash flows from financing activities:			
Borrowings (payments) on line of credit, net	40,543	(24,893)	(46,900)
Payments to refinance line of credit	--	--	(1,404)
Payments on long-term debt, capital lease obligations and note payable	(200)	(2,350)	(2,561)
Proceeds from issuance of common stock	2,255	1,585	15,833
Proceeds from issuance of subsidiary stock	5,757	--	--
Net cash provided from (used in) financing activities	48,355	(25,658)	(35,032)
Net increase in cash and cash equivalents	175	2,250	24,482
Cash and cash equivalents at beginning of year	650	825	3,075
Cash and cash equivalents at end of year	$ 825	$ 3,075	$ 27,557
Supplemental disclosure of cash flow information: Cash paid for:			
Interest	$ 2,338	$ 3,892	$ 2,642
Income taxes	$ 14,910	$ 8,135	$ 23,426

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

PEDIATRIX MEDICAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL:

The principal business activity of Pediatrix Medical Group, Inc. ("Pediatrix" or the "Company") is to provide neonatal and perinatal physician services. The Company provides services in 27 states and Puerto Rico. Contractual arrangements with hospitals include: a) fee-for-service contracts whereby hospitals agree, in exchange for the Company's services, to authorize the Company and its health care professionals to bill and collect the charges for medical services rendered by the Company's health care professionals; and b) administrative fees whereby the Company is assured a minimum revenue level.

On May 15, 2001, The Company acquired Magella Healthcare Corporation ("Magella") pursuant to a merger transaction (the "Merger"). The total purchase price was approximately $173.6 million, which the Company paid for in shares of its common stock. The Company has accounted for the Merger and the acquisitions using the purchase method of accounting. The results of operations of Magella and the acquired practices have been included in the consolidated financial statements from the dates of acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF PRESENTATION

The financial statements include all the accounts of the Company and its subsidiaries combined with the accounts of the professional associations (the "PA Contractors") with which the Company currently has specific management arrangements. The financial statements of the PA Contractors are consolidated with the Company because the Company has established a controlling financial interest in the operations of the PA Contractors, as defined in Emerging Issues Task Force Issue 97-2, through contractual management arrangements. The PA Contractors' agreements with the Company provide that the term of the arrangements are not less than 40 years, and in most cases are permanent, subject only to termination by the Company, except in the case of gross negligence, fraud or bankruptcy of the Company. The Company has the right to receive income, both as ongoing fees and as proceeds from the sale of its interest in the PA Contractors, in an amount that fluctuates based on the performance of the PA Contractors and the change in the fair value thereof. The Company has exclusive responsibility for the provision of all non-medical services required for the day-to-day operation and management of the PA Contractors and establishes the guidelines for the employment and compensation of the physicians. In addition, the agreements provide that the Company has the right, but not the obligation, to purchase, or to designate a person(s) to purchase, the stock of the PA Contractors for a nominal amount. Separately, in its sole discretion, the Company has the right to assign its interest in the agreements. All significant intercompany and interaffiliate accounts and transactions have been eliminated.

ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board (the "Board") issued Statements of Financial Accounting Standards No. 141 ("FAS 141"), "Business Combinations," and No. 142 ("FAS 142"), "Goodwill and Other Intangible Assets." FAS 141 (i) requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001; (ii) establishes specific criteria for the initial recognition and measurement of intangible assets separately from goodwill; and (iii) requires unallocated negative goodwill be written off immediately. FAS 142 supersedes APB 17, INTANGIBLE ASSETS, and is effective for fiscal years beginning after December 15, 2001. FAS 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their initial recognition. FAS 142 (i) prohibits the amortization

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

ACCOUNTING PRONOUNCEMENTS, CONTINUED

of goodwill and indefinite-lived intangible assets, (ii) requires that goodwill and indefinite-lived intangibles assets be tested annually for impairment (and in interim periods if certain events occur indicating that the carrying value of goodwill and/or indefinite-lived intangible assets may be impaired), (iii) requires that reporting units be identified for the purpose of assessing potential future impairments of goodwill, and (iv) removes the forty-year limitation on the amortization period of intangible assets that have finite lives. FAS 141 is effective for all business combinations initiated after June 30, 2001. FAS 142 is effective for fiscal years beginning after December 15, 2001 with two exceptions: (i) goodwill and intangible assets acquired after June 30, 2001 are immediately subject to the nonamortization provisions of the Statement, and (ii) the provisions of the statement are not applicable to mutual enterprises and not-for-profit organizations until further deliberation by the Board.

Effective July 1, 2001, the Company adopted the provisions of FAS 141 and the nonamortization provisions of FAS 142 pertaining to goodwill recorded in connection with acquisitions consummated subsequent to June 30, 2001. The adoption of the provisions of FAS 141 and the nonamortization provisions of FAS 142 did not have a material impact on the Company's results of operations for the year ended December 31, 2001. The Company will fully adopt the provisions of FAS 142 in the first quarter of 2002. The Company is in the process of determining what its reporting units are and what amounts of goodwill, other assets, and liabilities should be allocated to those reporting units. The Company expects that it will no longer record approximately $20.3 million of amortization expense relating to its existing goodwill for the year ended December 31, 2002.

FAS 142 requires that goodwill be tested annually for impairment using a two-step process. The first step is to identify a potential impairment and, in transition, this step must be completed within six months of adoption and measured as of the beginning of the fiscal year. The Company expects to complete the first step during the first quarter of 2002. The second step measures the amount of the impairment loss as of the beginning of the year of adoption, if any, and must be completed by the end of the Company's fiscal year. Any impairment loss resulting from the transitional impairment tests will be reflected as the cumulative effect of a change in accounting principle in the first quarter of 2002. The Company has not yet determined what effect these impairment tests will have on the Company's financial position and results of operations.

In October 2001, the Board issued Statement of Financial Accounting Standards No. 144 ("FAS 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets." FAS 144 supersedes Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," and addresses (i) the recognition and measurement of the impairment of long-lived assets to be held and used and (ii) the measurement of long-lived assets to be disposed of by sale. FAS 144 is effective for fiscal years beginning after December 15, 2001. The Company is currently assessing the impact, if any, of the adoption of this statement on the Company's financial position and results of operation.

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include the estimated allowance for contractual

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

ACCOUNTING ESTIMATES, CONTINUED

adjustments and uncollectibles on accounts receivable, and the estimated liabilities for claims incurred but not reported related to the Company's professional liability insurance. Actual results could differ from those estimates.

SEGMENT REPORTING

The Company operates in a single operating segment for purposes of presenting financial information and evaluating performance. As such, the accompanying consolidated financial statements present financial information in a format that is consistent with the financial information used by management for internal use.

REVENUE RECOGNITION

Patient service revenue is recognized at the time services are provided by the Company's employed physicians. Patient service revenue is presented net of an estimated provision for contractual adjustments and uncollectibles which is charged to operations based on the Company's evaluation of expected collections resulting from an analysis of current and past due accounts, past collection experience in relation to amounts billed and other relevant information. Contractual adjustments result from the difference between the physician rates for services performed and reimbursements by government-sponsored health care programs and insurance companies for such services.

Accounts receivable are primarily amounts due under fee-for-service contracts from third party payors, such as insurance companies, self-insured employers and patients and government-sponsored health care programs geographically dispersed throughout the United States and its territories. Concentration of credit risk relating to accounts receivable is limited by number, diversity and geographic dispersion of the business units managed by the Company, as well as by the large number of patients and payors, including the various governmental agencies in the states in which the Company provides services. Receivables from government agencies made up approximately 18% and 22% of net accounts receivable at December 31, 2000 and 2001, respectively.

CASH EQUIVALENTS

Cash equivalents are defined as all highly liquid financial instruments with maturities of 90 days or less from the date of purchase. The Company's cash equivalents consist principally of demand deposits, amounts on deposit in money market accounts and funds invested in overnight repurchase agreements. The Company holds a majority of its cash equivalents with one financial institution.

PROPERTY AND EQUIPMENT

Property and equipment are stated at original purchase cost. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives. Estimated useful lives are generally 40 years for buildings; three to seven years for medical equipment, computer equipment, software and furniture; and the lease period for leasehold improvements and capital leases. Upon sale or retirement of property and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

GOODWILL

The Company records acquired assets and liabilities at their respective fair values under the purchase method of accounting. Goodwill represents the excess of cost over the fair value of the net assets acquired. Goodwill related to acquisitions completed prior to July 1, 2001 was amortized through the year ended December 31, 2001 on a straight-line basis over 25 years.

LONG-LIVED ASSETS

The Company evaluates long-lived assets, including goodwill and identifiable intangibles, at each balance sheet date and records an impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be fully recoverable. The recoverability of such assets, which consist primarily of goodwill, is measured by a comparison of the carrying value of the assets to the future undiscounted cash flows before interest charges to be generated by the assets. For goodwill, the Company considers external factors relating to each acquired business, including hospital and physician contract changes, local market developments, changes in third-party payments, national health care trends, and other publicly-available information. If these factors indicate that goodwill is impaired, the impairment to be recognized is measured as the excess of the carrying value over the fair value. Long-lived assets, including goodwill and identifiable intangibles, to be disposed of are reported at the lower of the carrying value or fair value less disposal costs. The Company does not believe there are any indicators that would require an adjustment to such assets or their estimated periods of recovery at December 31, 2001 pursuant to the current accounting standards.

PROFESSIONAL LIABILITY COVERAGE

The Company maintains professional liability coverage, which indemnifies the Company and its health care professionals on a claims-made basis with a portion of self insurance retention. The Company records a liability for self-insured deductibles and an estimate of its liabilities for claims incurred but not reported based on an actuarial valuation. Liabilities for claims incurred but not reported are not discounted.

INCOME TAXES

The Company records deferred income taxes using the liability method, whereby deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

STOCK OPTIONS

The Company discloses net income and earnings per share as if the Company recognized compensation expense for the grant of stock, stock options and other equity instruments to employees based on fair value accounting rules (see Note 12). No charge has been reflected in the consolidated statements of income as a result of the grant of stock options, because the market value of the Company's stock equals the exercise price on the date the options are granted. To the extent that the Company realizes an income tax benefit from the exercise or early disposition of certain stock options, this benefit results in a decrease in current income taxes payable and an increase in additional paid-in capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

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 convertible notes calculated using the if-converted method and outstanding options calculated using the treasury stock method. For the year ended December 31, 2001, the calculation of diluted net income per share excludes the after-tax impact of interest expense related to convertible subordinated notes.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable and accrued expenses approximate fair value due to the short maturities of these items.

The carrying amount of the line of credit approximates fair value because the interest rate on this instrument changes with market interest rates.

3. ACCOUNTS RECEIVABLE AND NET PATIENT SERVICE REVENUE:

Accounts receivable consists of the following:

	December 31,	
	2000	2001
	(in thousands)	
Gross accounts receivable	$ 171,082	$ 193,165
Allowance for contractual adjustments and uncollectibles	(101,949)	(129,314)
	$ 69,133	$ 63,851

Net patient service revenue consists of the following:

	Years Ended December 31,		
	1999	2000	2001
	(in thousands)		
Gross patient service revenue	$ 485,917	$ 545,758	$ 835,137
Contractual adjustments and uncollectibles	(272,812)	(320,584)	(500,284)
Hospital contract administrative fees	13,937	17,901	19,742
	$ 227,042	$ 243,075	$ 354,595

During the second quarter of 2000, the Company recorded a charge of $6.5 million to increase the allowance for contractual adjustments and uncollectible accounts. This charge was attributable to management's assessment of accounts receivable, which was revised to reflect the changes occurring in the Company's collection rates that became known by the Company as a result of trends noted during the second quarter of 2000 and an increase in average aged

3. ACCOUNTS RECEIVABLE AND NET PATIENT SERVICE REVENUE, CONTINUED:

accounts receivable. This decline in collection rates was the result of (i) an increased utilization of non-critical care codes on which the Company realizes a lower collection rate as a percentage of billed charges, (ii) a significant decline in the reimbursement from non-contracted payors, (iii) continued difficulties in the health care reimbursement environment, primarily with managed care payors, and (iv) disruption within our collection offices due to the billing inquiries and the transition to a regional collection structure.

During the second quarter of 2001, the Company increased prices for its patient services. As a result of the price increase, contractual adjustments and uncollectibles increased as a percentage of gross patient service revenue from 2000 to 2001. This increase is primarily due to government-sponsored health care programs, like Medicaid, that generally provide for reimbursements on a fee schedule basis rather than on a gross charge basis. Since the Company bills government-sponsored health care programs, like other payors, on a gross charge basis, the Company must increase the provision for contractual adjustments and uncollectibles by the amount of any price increase, resulting in a higher contractual adjustment percentage.

4. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	December 31,	
	2000	2001
	(in thousands)	
Building	$ 33	$ 33
Equipment and furniture	17,188	27,013
	17,221	27,046
Accumulated depreciation	(7,592)	(12,210)
	$ 9,629	$ 14,836

At December 31, 2001, property and equipment includes medical equipment held under capital leases of approximately $1.3 million and related accumulated depreciation of approximately $910,000.

The Company recorded depreciation expense of approximately $2,208,000, $3,131,000 and $4,857,000 for the years ended December 31, 1999, 2000, and 2001, respectively.

5. GOODWILL AND OTHER ASSETS:

Goodwill and other assets consists of the following:

	December 31,	
	2000	2001
	(in thousands)	
Goodwill	$267,786	$497,699
Physician agreements	1,692	1,692
Other	5,749	7,568
	275,227	506,959
Accumulated amortization	(33,997)	(61,654)
	$241,230	$445,305

5. GOODWILL AND OTHER ASSETS, CONTINUED:

During 2000, the Company completed the acquisition of five physician practices. Total consideration and related costs for these acquisitions approximated $9 million. In connection with these transactions, the Company recorded goodwill in the amount of approximately $9 million.

On May 15, 2001, the Company acquired Magella Healthcare Corporation pursuant to a merger transaction. The total purchase price for Magella was allocated as follows (in thousands):

(i)	Fair value of approximately 7.3 million shares of Pediatrix common stock issued for all outstanding common and nonvoting common stock of Magella.....	$ 152,490
(ii)	Fair value of Magella options exercisable into approximately 1.4 million shares of Pediatrix common stock as a result of the Merger.....	18,932
(iii)	Estimated direct transaction costs.....	2,154
	Total purchase price.....	$ 173,576

In connection with the Merger, the Company recorded assets totaling approximately $232.8 million, including approximately $206.5 million in goodwill, and assumed liabilities of approximately $59.2 million.

In addition to the Merger, the Company completed the acquisition of six physician group practices during 2001. Total consideration and related costs for the acquisitions approximated $19.8 million in cash and $1.8 million in notes payable. In connection with these transactions, the Company recorded goodwill in the amount of approximately $21.6 million.

The Company has accounted for the Merger and the acquisitions using the purchase method of accounting. The results of operations of Magella and 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, Magella and the physician group practices acquired during 2000 and 2001 as if the transactions had occurred on January 1, 2000:

	Years Ended December 31,	
	2000	2001
	(in thousands, except per share data)	
Net patient service revenue	$331,268	$395,245
Net income	21,064	36,365
Net income per share:		
Basic	$ .92	$ 1.53
Diluted	$ .86	$ 1.42

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.

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Accounts payable and accrued expenses consist of the following:

	December 31,	
	2000	2001
	(in thousands)	
Accounts payable	$9,662	$12,625
Accrued salaries and bonuses	6,960	21,811
Accrued payroll taxes and benefits	4,315	7,374
Accrued professional liability coverage	5,888	11,504
Accrued securities litigation settlement (Note 9)	--	12,000
Other accrued expenses	3,053	7,889
	$29,878	$73,203

In connection with the accrued liability for the settlement of the class action securities litigation at December 31, 2001, as noted above, the Company has recorded a receivable from the Company's insurance carrier in the amount of $12 million. Such amount is included in other current assets at December 31, 2001.

7. LINE OF CREDIT, LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS:

During 2001, the Company refinanced its $75 million line of credit, which matured on September 30, 2001, with an amended and restated credit agreement (the "Line of Credit") in the amount of $100 million. At the Company's option, the Line of Credit, which matures on August 14, 2004, bears interest at the either the prime rate or the Eurodollar rate plus an applicable margin rate ranging from 2% to 2.75%. The Line of Credit is collateralized by substantially all the Company's assets. The Company is subject to certain covenants and restrictions under the Line of Credit, including covenants that require the Company to maintain a minimum level of net worth and earnings and a restriction on the payment of dividends and certain other distributions, as specified therein. At December 31, 2001, the Company is in compliance with such financial covenants. The Company had no outstanding balance under the Line of Credit at December 31, 2001 as compared to $23.5 million at December 31, 2000. At December 31, 2001, the Company had $100 million available under its Line of Credit.

In connection with the Merger, the Company assumed certain convertible subordinated notes issued by Magella which, as a result of the Merger became exercisable into our common stock ("Convertible Notes"). During 2001, approximately $11.9 million of Convertible Notes were converted into approximately 537,000 shares of the Company's common stock at the option of the holders. At December 31, 2001, the total outstanding principal on the Convertible Notes is approximately $920,000. The remaining outstanding Convertible Notes are convertible into approximately 35,000 shares of the Company's common stock at the option of the holder at a price of $26.00 per share, bear interest at rates ranging from 5% to 6%, require varying periodic interest payments and are due at various dates ranging from January 2004 through January 2006. The Company has the right to force the holders of the Convertible Notes to convert the notes into Pediatrix common stock when the share price of the Company's common stock trades at a specified price ranging from $32.50 to $39.00 over a 90 day trading period.

7. LINE OF CREDIT, LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, CONTINUED:

Long-term debt, including capital lease obligations, consists of the following at December 31, 2001 (in thousands):

Convertible Notes	$ 920
Promissory note in connection with acquisition (Note 5)	1,750
Capital lease obligations	536
Total	3,206
Current portion of long-term debt and capital lease obligations	(531)
Long-term debt and capital lease obligations	$ 2,675

The amounts due under the terms of the Company's long-term debt, including capital lease obligations, at December 31, 2001 are as follows: 2002 - $531,000; 2003 - $541,000; 2004 - $581,000; 2005 - $764,000; and 2006 - $789,000.

8. INCOME TAXES:

The components of the income tax provision are as follows:

	December 31,		
	1999	2000	2001
	(in thousands)		
Federal:			
Current	$11,316	$11,463	$29,970
Deferred	5,116	(1,265)	(4,709)
	16,432	10,198	25,261
State:			
Current	522	350	1,083
Deferred	613	(75)	(562)
	1,135	275	521
Total	$17,567	$10,473	$25,782

8. INCOME TAXES, CONTINUED:

The Company files its tax return on a consolidated basis with its subsidiaries. The remaining PA Contractors file tax returns on an individual basis.

The effective tax rate on income was 41.2% for the year ended December 31, 1999, 48.8% for the year ended December 31, 2000, and 45.9% for the year ended December 31, 2001. The differences between the effective rate and the U.S. federal income tax statutory rate are as follows:

	December 31,		
	1999	2000	2001
	(in thousands)		
Tax at statutory rate	$ 14,912	$ 7,511	$ 19,674
State income tax, net of federal benefit	738	179	865
Amortization	2,061	2,347	3,939
Other, net	(144)	436	1,304
Income tax provision	$ 17,567	$ 10,473	$ 25,782

The significant components of deferred income tax assets and liabilities are as follows:

	December 31, 2000			December 31, 2001		
	Total	Current	Non-Current	Total	Current	Non-Current
	(in thousands)					
Allowance for uncollectible accounts	$ 557	$ 557	$ --	$ 5,275	$ 5,275	$ --
Net operating loss carryforward	2,518	2,518	--	2,727	2,727	--
Amortization	1,663	--	1,663	1,417	--	1,417
Operating reserves and accruals	4,525	4,525	--	10,167	10,167	--
Other	2,249	1,575	674	1,986	1,249	737
Total deferred tax assets	11,512	9,175	2,337	21,572	19,418	2,154
Accrual to cash adjustment	(23,719)	(23,719)	--	(13,903)	(13,903)	--
Property and equipment	(3,690)	--	(3,690)	(3,912)	--	(3,912)
Receivable discounts	(580)	(580)	--	--	--	--
Amortization	(5,844)	--	(5,844)	(8,088)	--	(8,088)
Other	1	1	--	--	--	--
Total deferred tax liabilities	(33,832)	(24,298)	(9,534)	(25,903)	(13,903)	(12,000)
Net deferred tax liability	$(22,320)	$(15,123)	$ (7,197)	$ (4,331)	$ 5,515	$ (9,846)

The income tax benefit related to the exercise of stock options and the purchase of shares under the Company's non-qualified employee stock purchase plan reduces taxes currently payable and is credited to additional paid-in capital. Such amounts totaled approximately $792,000, $442,000, and $7,397,000 for the years ended December 31, 1999, 2000, and 2001, respectively.

The Company has net operating loss carryforwards for federal and state tax purposes totaling approximately $5,992,000, $6,668,000, and $7,175,000 at December 31, 1999, 2000, and 2001, respectively, expiring at various times commencing in 2009.

9. COMMITMENTS AND CONTINGENCIES:

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 for services reimbursed by the Medicaid programs in these states and by the Tricare program for military dependents. On May 25, 2000, the Company entered into a settlement agreement with the Office of the Attorney General for the State of Florida, pursuant to which the Company paid the State of Florida $40,000 to settle any claims regarding the receipt of overpayments from the Florida Medicaid program from January 7, 1997 through the effective date of the settlement agreement. On August 28, 2000, the Company entered into a settlement agreement with the State of Arizona's Medicaid Agency, pursuant to which the Company paid the State of Arizona $220,000 in settlement of potential claims regarding payments received by the Company and its affiliated physicians and physician practices from the Arizona Medicaid program for neonatal, newborn and pediatric services provided over a ten-year period, from January 1, 1990 through the effective date of the settlement agreement. Additionally, the Company reimbursed the State of Arizona for costs related to its investigation. The Florida and Arizona settlement agreements both stated that the investigations conducted by those states revealed a potential overpayment, but no intentional fraud, and that any overpayment was due to a lack of clarity in the relevant billing codes.

The Colorado Medicaid and Tricare investigations are active and ongoing, and these matters, along with the Florida and Arizona matters, have prompted inquiries by Medicaid officials in other states. The Company cannot predict whether the Colorado investigation or any other inquiries will have a material adverse effect on the Company's business, financial condition and results of operations. The Company believes that billing audits, inquiries and investigations from government agencies will continue to occur in the ordinary course of its business and in the health care services industry in general from time to time.

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. The Company believes, based upon its review of these pending matters, that the outcome of such legal actions and proceedings, individually or in the aggregate, will not have a material adverse effect on its financial condition, results of operations or liquidity, notwithstanding any possible lack of insurance recovery. If liability results from medical malpractice claims, there can be no assurance that the Company's medical malpractice insurance coverage will be adequate to cover liabilities arising out of such proceedings.

On December 14, 2001, the Company announced that it had reached an agreement in principle to settle the securities class action litigation filed against it and certain of its officers in the United States District Court for the Southern District of Florida for a cash payment of $12.0 million. On February 7, 2002, the Company and certain of its officers executed a definitive agreement relating to the settlement, and on February 28, 2002, the settlement was approved by a preliminary order of the District Court. The settlement remains subject to final approval of the District Court.

The Company leases an aircraft. The Company also leases space for its regional offices and medical offices, storage space, and temporary housing of medical staff. The Company also maintains a lease agreement for its corporate office in Sunrise, Florida. The Company is required to maintain certain financial covenants pursuant to the corporate office lease agreement, including a requirement that the Company maintain a minimum level of net worth. The corporate office lease and the aircraft lease both bear interest at LIBOR-based variable rates. Rent expense for the years ended December 31, 1999, 2000, and 2001 was approximately $3,063,000, $4,386,000, and $6,149,000, respectively.

9. COMMITMENTS AND CONTINGENCIES, CONTINUED:

Future minimum lease payments under noncancelable operating leases as of December 31, 2001 are as follows (in thousands):

2002	$6,718
2003	12,399
2004	3,647
2005	2,646
2006	3,469
Thereafter	707
	$29,586

10. RETIREMENT PLAN:

During 2001, the Company maintained two qualified contributory savings plans as allowed under Section 401(k) of the Internal Revenue Code. The Company's primary plan (the "Plan") permits participant contributions and allows elective Company contributions based on each participant's contribution. Participants may defer up to 15% of their annual compensation by contributing amounts to the Plan.

The Company maintained a second plan as a result of the Merger (the "Magella Plan"). This second plan permits participant contributions and allows discretionary Company contributions based on each participant's contribution. The Company contributed 3% of each participant's annual wages, up to a maximum contribution of $5,100, for 2001.

The Company contributed approximately $1,627,000, $1,807,000 and $3,765,000 to the Plan and the Magella Plan for the years ended December 31, 1999, 2000 and 2001, respectively.

11. NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE:

The calculation of basic and diluted net income per share for the years ended December 31, 1999, 2000 and 2001 are as follows:

	Years Ended December 31,		
	1999	2000	2001
	(in thousands, except for per share data)		
Basic:			
Net Income applicable to common stock	$25,038	$10,986	$30,428
Weighted average number of common shares outstanding	15,513	15,760	21,159
Basic net income per share	$ 1.61	$ .70	$ 1.44
Diluted:			
Net Income	$25,038	$10,986	$30,428
Interest expense on convertible subordinated debt, net of tax	--	--	115
Net income applicable to common stock	$25,038	$10,986	$30,543
Weighted average number of common shares outstanding	15,513	15,760	21,159
Weighted average number of dilutive common stock equivalents	347	293	1,165
Dilutive effect of convertible subordinated debt	--	--	154
Weighted average number of common and common equivalent shares outstanding	15,860	16,053	22,478
Diluted net income per share	$ 1.58	$ .68	$ 1.36

12. STOCK OPTION PLAN AND EMPLOYEE STOCK PURCHASE PLANS:

In 1993, the Company's Board of Directors authorized a stock option plan (the "Option Plan"). Under the Option Plan, options to purchase shares of common stock may be granted to certain employees at a price not less than the fair market value of the shares on the date of grant. The options must be exercised within 10 years from the date of grant. The stock options become exercisable on a pro rata basis over a three-year period from the date of grant. In 2001, the shareholders approved an amendment to increase the number of shares authorized to be issued under the Option Plan from 5,500,000 to 8,000,000. At December 31, 2001, 1,878,256 shares were available for future grants.

In connection with the Merger, the Company assumed stock options issued by Magella which options at the time of the Merger were exercisable to purchase approximately 1.4 million shares of Pediatrix common stock. Such options are included in the disclosures below.

Pertinent information covering the Option Plan is as follows:

	Number of Shares	Option Price Per Share	Weighted Average Exercise Price	Expiration Date
Outstanding at December 31, 1998	3,319,171	$2.84-$45.13	$27.55	2003-2008
Granted	1,558,154	$7.88-$61.00	$27.69	
Canceled	(852,330)	$18.88-$61.00	$43.50	
Exercised	(94,552)	$2.84-$36.13	$10.54	
Outstanding at December 31, 1999	3,930,443	$5.00-$61.00	$24.57	2004-2009
Granted	1,048,334	$6.75-$17.75	$9.45	
Canceled	(395,512)	$7.88-$61.00	$38.11	
Exercised	(27,834)	$5.00-$12.50	$8.06	
Outstanding at December 31, 2000	4,555,431	$5.00-$61.00	$20.28	2004-2010
Assumed in the Merger	1,375,894	$13.00-$24.05	$14.03	
Granted	1,373,000	$21.38-$36.30	$29.67	
Canceled	(464,704)	$7.06-$61.00	$25.94	
Exercised	(1,145,830)	$5.00-$36.13	$12.52	
Outstanding at December 31, 2001	5,693,791	$5.00-$61.00	$22.07	2004-2011
Exercisable at:				
December 31, 1999	2,131,235	$5.00-$45.13	$23.49	
December 31, 2000	2,666,022	$5.00-$61.00	$23.87	
December 31, 2001	3,502,787	$5.00-$61.00	$21.48	

Significant option groups outstanding at December 31, 2001 and related price and life information is as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Outstanding as of 12/31/2001	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Exercisable as of 12/31/2001	Weighted Average Exercise Price
$ 5.00 - $ 8.13	1,062,821	$ 7.00	6.1	600,805	$ 6.83
$10.00 - $14.56	1,049,950	$12.50	5.3	942,016	$12.46
$15.25 - $17.75	160,000	$16.90	8.8	53,338	$16.90
$18.88 - $22.55	1,228,716	$20.32	6.8	680,491	$20.04
$24.00 - $29.04	343,137	$27.93	7.3	232,970	$27.73
$30.88 - $34.79	978,584	$33.44	9.1	162,584	$32.66
$36.00 - $39.13	536,916	$36.67	5.1	521,916	$36.69
$40.38 - $45.13	258,667	$42.07	5.4	258,667	$42.07
$61.00	75,000	$61.00	7.1	50,000	$61.00
	5,693,791	$22.07	6.7	3,502,787	$21.48

12. STOCK OPTION PLAN AND EMPLOYEE STOCK PURCHASE PLANS, CONTINUED:

Under the Company's stock purchase plans (the "Stock Purchase Plans"), employees may purchase the Company's common stock at 85% of the average high and low sales price of the stock as reported as of commencement of the purchase period or as of the purchase date, whichever is lower. Under the Stock Purchase Plans, 128,848, 224,716 and 107,423 shares were issued during 1999, 2000 and 2001, respectively. At December 31, 2001, the Company has an additional 437,566 shares reserved under the Stock Purchase Plans.

No compensation expense has been recognized for stock options granted under the Option Plan or stock issued under the Stock Purchase Plans. Had compensation expense been determined based on the fair value accounting rules, the Company's net income and net income per share would have been reduced to the pro forma amounts below:

	Years Ended December 31,		
	1999	2000	2001
	(in thousands, except per share data)		
Net income	$15,697	$4,016	$21,090
Net income per share:			
Basic	$1.01	$0.25	$1.00
Diluted	$1.01	$0.25	$0.98

The fair value of each option or share to be issued is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 1999, 2000 and 2001: dividend yield of 0% for all years; expected volatility of 82%, 82% and 71%, respectively, and risk-free interest rates of 5.2%, 6.4%, and 4.6%, respectively, for options with expected lives of five years (officers and physicians of the Company) and 5.7%, 6.3% and 3.9%, respectively, for options with expected lives of three years (all other employees of the Company).

13. SUBSIDIARY STOCK:

In January 1999, a subsidiary of the Company sold 6,257,150 shares of its common stock, for $1.00 per share, in a private placement to certain officers and employees of the Company. The per share value used in the private placement was equivalent to the amount on a per share basis that the Company invested in its subsidiary. The subsidiary used the proceeds from the offering to purchase shares previously issued to the Company.

In July 1999, the Company purchased 13,433,696 shares of common stock in the subsidiary for approximately $17.7 million, which resulted in the subsidiary being wholly owned by the Company. The shares purchased by the Company were held by certain officers and employees of the Company and represented 23.5% of all outstanding shares of the subsidiary.

The Company accounted for the transaction using the purchase method of accounting and the excess of the cost over the fair value of additional net assets acquired is approximately $3.6 million is being amortized on a straight-line basis over 25 years.

14. PREFERRED SHARE PURCHASE RIGHTS PLAN:

The Board of Directors of the Company has adopted a Preferred Share Purchase Rights Plan (the "Rights Plan") and, in connection therewith, declared a dividend distribution of one preferred share purchase right ("Right") on each outstanding share of the Company's common stock to shareholders of record at the close of business on April 9, 1999.

Each Right entitles the shareholder to purchase from the Company one one-thousandth of a share of the Company's Series A Junior Participating Preferred Stock (the "Preferred Shares") (or in certain circumstances, cash, property or other securities). Each Right has an initial exercise price of $150.00 for one one-thousandth of a Preferred Share (subject to adjustment). The Rights will be exercisable only if a person or group acquires 15% or more of the Company's common stock or announces a tender or exchange offer, the consummation of which would result in ownership by a person or group of 15% or more of the common stock. Upon such occurrence, each Right will entitle its holder (other than such person or group of affiliated or associated persons) to purchase, at the Right's then-current exercise price, a number of the Company's common shares having a market value of twice such price. The final expiration date of the Rights is the close of business on March 31, 2009 (the "Final Expiration Date").

The Board of Directors of the Company may, at its option, as approved by a Majority Director Vote (as defined in the Rights Plan), at any time prior to the earlier of (i) the time that any person or entity becomes an Acquiring Person (as defined in the Rights Plan), and (ii) the Final Expiration Date, redeem all but not less than all of the then outstanding Rights at a redemption price of $.005 per Right, as such amount may be appropriately adjusted to reflect any stock split, stock dividend or similar transaction. The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Board of Directors of the Company, in its sole discretion, may establish (as approved by a Majority Director Vote).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Pursuant to instruction G(3) of the General Instructions to Form 10-K, the information required herein is incorporated by reference to the Company's definitive proxy statement with respect to the Company's annual meeting of shareholders scheduled to be held on May 14, 2002, to be filed with the Securities and Exchange Commission within 120 days after fiscal year end.

ITEM 11. EXECUTIVE COMPENSATION

Pursuant to instruction G(3) of the General Instructions to Form 10-K, the information required herein is incorporated by reference to the Company's definitive proxy statement with respect to the Company's annual meeting of shareholders scheduled to be held on May 14, 2002, to be filed with the Securities and Exchange Commission within 120 days after fiscal year end.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Pursuant to instruction G(3) of the General Instructions to Form 10-K, the information required herein is incorporated by reference to the Company's definitive proxy statement with respect to the Company's annual meeting of shareholders scheduled to be held on May 14, 2002, to be filed with the Securities and Exchange Commission within 120 days after fiscal year end.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Pursuant to instruction G(3) of the General Instructions to Form 10-K, the information required herein is incorporated by reference to the Company's definitive proxy statement with respect to the Company's annual meeting of shareholders scheduled to be held on May 14, 2002, to be filed with the Securities and Exchange Commission within 120 days after fiscal year end.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)(1) FINANCIAL STATEMENTS

An index to financial statements included in this Annual Report on Form 10-K appears on page 34.

(a)(2) FINANCIAL STATEMENT SCHEDULE

The following financial statement schedule for the years ended December 31, 1999, 2000 and 2001, is included in this Annual Report on Form 10-K as set forth below.

SCHEDULE II: VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 1999, 2000 and 2001

	1999	2000	2001
		(in thousands)	
Allowance for contractual adjustments and uncollectibles:			
Balance at beginning of year	$ 87,436	$ 102,479	$ 101,949
Portion charged against operating revenue	272,812	320,584	500,284
Accounts receivable written-off (net of recoveries)	(257,769)	(321,114)	(472,919)
Balance at end of year	$ 102,479	$ 101,949	$ 129,314

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are not applicable and therefore have been omitted.

(a)(3) EXHIBITS

2.1	Agreement and Plan of Merger dated as of February 14, 2001, among Pediatrix Medical Group, Inc., a Florida corporation, Infant Acquisition Corp., a Delaware corporation, and Magella Healthcare Corporation, a Delaware corporation (incorporated by reference to Exhibit 2.1 to Pediatrix's current report on Form 8-K dated February 15, 2001).
3.1	Amended and Restated Articles of Incorporation of Pediatrix (incorporated by reference to Exhibit 3.1 to Pediatrix's Registration Statement on Form S-1 (Registration No. 33-95086)).
3.2	Amendment and Restated Bylaws of Pediatrix (incorporated by reference to Exhibit 3.2 to Pediatrix's Quarterly Report on Form 10-Q for the period ended June 30, 2000).
3.3	Articles of Designation of Series A Junior Participating Preferred Stock (incorporated by reference to Exhibit 3.1 to Pediatrix's current report on Form 8-K dated March 31, 1999).
4.1	Rights Agreement, dated as of March 31, 1999, between Pediatrix and BankBoston, N.A., as rights agent including the form of Articles of Designations of Series A Junior Participating Preferred Stock and the form of Rights Certificate (incorporated by reference to Exhibit 4.1 to Pediatrix's current report on Form 8-K dated March 31, 1999).
10.1+	Pediatrix's Amended and Restated Stock Option Plan.*
10.2	Pediatrix's Thrift and Profit Sharing Plan (incorporated by reference to Exhibit 10.23 to Pediatrix's Registration Statement on Form S-1 (Registration No. 33-95086)).*
10.3	1996 Qualified Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.25 to Pediatrix's Quarterly Report on Form 10-Q for the period ended March 31, 1996).*
10.4	1996 Non-Qualified Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.26 to Pediatrix's Quarterly Report on Form 10-Q for the period ended March 31, 1996).*
10.5	Pediatrix Executive Non-Qualified Deferred Compensation Plan, dated October 13, 1997 (incorporated by reference to Exhibit 10.35 to Pediatrix's Quarterly Report on Form 10-Q for the period ended June 30, 1998).*
10.6	Form of Indemnification Agreement between Pediatrix and each of its directors and certain executive officers (incorporated by reference to Exhibit 10.2 to Pediatrix's Registration Statement on Form S-1 (Registration No. 33-95086)).*
10.7	Form of Non-competition and Nondisclosure Agreement (incorporated by reference to Exhibit 10.24 to Pediatrix's Registration Statement on (Form S-1 Registration No. 33-95086)).*
10.8	Form of Exclusive Management and Administrative Services Agreement between Pediatrix and each of the PA Contractors (incorporated by reference to

Exhibit 10.25 to Pediatrix's Registration Statement on Form S-1 (Registration No. 33-95086)).*

10.9 Employment Agreement, dated as of January 1, 1995, as amended, between Pediatrix and Roger J. Medel, M.D. (incorporated by reference to Exhibit 10.3 to Pediatrix's Registration Statement on Form S-1 (Registration No. 33-95086)).*

10.10 Amendment No. 2 to the employment agreement between Pediatrix and Roger J. Medel, M.D. (incorporated by reference to Exhibit 10.34 to Pediatrix's Quarterly Report on Form 10-Q for the period ended June 30, 1997).*

10.11 Amendment No. 3 to the Employment Agreement between Pediatrix and Roger J. Medel, M.D. (incorporated by reference to Exhibit 10.35 to Pediatrix's Annual Report on Form 10-K for the year ended December 31, 1998).*

10.12 Amended and Restated Employment Agreement, dated May 8, 2000, between Kristen Bratberg and Pediatrix (incorporated by reference to Exhibit 10.39 to Pediatrix's Quarterly Report on Form 10-Q for the period ended September 30, 2000).*

10.13 Amended and Restated Employment Agreement dated December 1, 2000, between M. Douglas Cunningham, M.D. and Pediatrix (incorporated by reference to Exhibit 10.13 to Pediatrix's Annual Report on Form 10-K for the year ended December 31, 2000).

10.14 Employment Agreement, dated January 1, 1999, between Karl B. Wagner and Pediatrix (incorporated by reference to Exhibit 10.38 to Pediatrix's Quarterly Report on Form 10-Q for the year ended September 30, 1999).

10.15 Employment Agreement dated January 8, 2001, between Brian T. Gillon and Pediatrix (incorporated by reference to Exhibit 10.15 Pediatrix's Annual Report on Form 10-K for the year ended December 31, 2000).

10.16 Amended and Restated Credit Agreement, dated as of November 1, 2001, among Pediatrix, certain professional contractors, Fleet Bank, Sun Trust Bank and UBS AG (incorporated by reference to Exhibit 10.16 to Pediatrix's Annual Report on Form 10-K for the year ended December 31, 2000).

10.17 Security Agreement dated November 1, 2000, between Pediatrix Medical Group, Inc. and Fleet National Bank, as Agent (incorporated by reference to Exhibit 10.17 to Pediatrix's Annual Report on Form 10-K for the year ended December 31, 2000).

10.18 Stockholders' Agreement dated as of February 14, 2001, among Pediatrix, Infant Acquisition Corp., John K. Carlyle, Cordillera Interest, Ltd., Steven K. Boyd, Ian M. Ratner, M.D., Welsh, Carson, Anderson & Stowe VII, L.P., WCAS Healthcare Partners, L.P., the persons listed on Schedule A thereto, Leonard Hilliard, M.D., The Hilliard Family Partnership, Ltd. and Gregg C. Lund, D.O. (incorporated by reference to Exhibit 10.40 to Pediatrix's Form 8-K dated February 15, 2001).

10.19 Standstill and Registration Rights Agreement dated as of May 15, 2001, among Pediatrix, Welsh, Carson, Anderson & Stowe VII, L.P., WCAS Healthcare Partners, L.P., the persons listed on Schedule A thereto, John K. Carlyle, Cordillera Interest, Ltd., Steven K. Boyd, Ian M. Ratner, M.D., Roger J. Medel,

M.D., Kristen Bratberg, Joseph Calabro, Karl B. Wagner and Brian T. Gillon (incorporated by reference to Exhibit 10.1 to Pediatrix's Current Report on Form 8-K dated May 25, 2001).

10.20+ Stipulation and Agreement of Settlement dated February 7, 2001, among Sands Point Partners, L.P., et. al., on behalf of themselves and all other similarly situation, and Pediatrix, Roger J. Medel, M.D., Karl B. Wagner and Lawrence M. Mullen.

21.1+ Subsidiaries of Pediatrix.

23.1+ Consent of PricewaterhouseCoopers LLP.

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* Management contract or compensation plan or arrangement.
+ Filed herewith.

(b) REPORTS ON FORM 8-K

On December 27, 2001 we filed a Form 8-K dated December 14, 2001, reporting Item 5 (Other Events) related to an agreement in principle to settle the securities class action litigation filed against us and certain of our officers in the United States District Court for the Southern District of Florida for a cash payment of $12 million.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: March 28, 2002

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

Roger J. Medel, M.D., M.B.A.
Chairman of the Board,
Chief Executive Officer and
Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Roger J. Medel, M.D. Roger J. Medel, M.D., M.B.A.	Chairman of the Board, Chief Executive Officer and Director (principal executive officer)	March 28, 2002
/s/ Kristen Bratberg Kristen Bratberg	President and Director	March 28, 2002
/s/ Karl B.wagner Karl B. Wagner	Chief Financial Officer (principal financial officer and principal accounting officer)	March 28, 2002
/s/ Cesar L. Alvarez Cesar L. Alvarez	Director	March 26, 2002
/s/ Waldemar A. Carlo, M.D. Waldemar A. Carlo, M.D.	Director	March 26, 2002
/s/ John K. Carlyle John K. Carlyle	Director	March 28, 2002
/s/ M. Douglas Cunningham, M.D. M. Douglas Cunningham, M.D.	Director	March 28, 2002
/s/ Michael Fernandez Michael Fernandez	Director	March 28, 2002
/s/ D. Scott Mackesy D. Scott Mackesy	Director	March 28, 2002
/s/ Ian M. Ratner, M.D. Ian M. Ratner, M.D.	Director	March 25, 2002

EXHIBIT INDEX

2.1	Agreement and Plan of Merger dated as of February 14, 2001, among Pediatrix Medical Group, Inc., a Florida corporation, Infant Acquisition Corp., a Delaware corporation, and Magella Healthcare Corporation, a Delaware corporation (incorporated by reference to Exhibit 2.1 to Pediatrix's current report on Form 8-K dated February 15, 2001).
3.1	Amended and Restated Articles of Incorporation of Pediatrix (incorporated by reference to Exhibit 3.1 to Pediatrix's Registration Statement on Form S-1 (Registration No. 33-95086)).
3.2	Amendment and Restated Bylaws of Pediatrix (incorporated by reference to Exhibit 3.2 to Pediatrix's Quarterly Report on Form 10-Q for the period ended June 30, 2000).
3.3	Articles of Designation of Series A Junior Participating Preferred Stock (incorporated by reference to Exhibit 3.1 to Pediatrix's current report on Form 8-K dated March 31, 1999).
4.1	Rights Agreement, dated as of March 31, 1999, between Pediatrix and BankBoston, N.A., as rights agent including the form of Articles of Designations of Series A Junior Participating Preferred Stock and the form of Rights Certificate (incorporated by reference to Exhibit 4.1 to Pediatrix's current report on Form 8-K dated March 31, 1999).
10.1+	Pediatrix's Amended and Restated Stock Option Plan.*
10.2	Pediatrix's Thrift and Profit Sharing Plan (incorporated by reference to Exhibit 10.23 to Pediatrix's Registration Statement on Form S-1 (Registration No. 33-95086)).*
10.3	1996 Qualified Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.25 to Pediatrix's Quarterly Report on Form 10-Q for the period ended March 31, 1996).*
10.4	1996 Non-Qualified Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.26 to Pediatrix's Quarterly Report on Form 10-Q for the period ended March 31, 1996).*
10.5	Pediatrix Executive Non-Qualified Deferred Compensation Plan, dated October 13, 1997 (incorporated by reference to Exhibit 10.35 to Pediatrix's Quarterly Report on Form 10-Q for the period ended June 30, 1998).*
10.6	Form of Indemnification Agreement between Pediatrix and each of its directors and certain executive officers (incorporated by reference to Exhibit 10.2 to Pediatrix's Registration Statement on Form S-1 (Registration No. 33-95086)).*
10.7	Form of Non-competition and Nondisclosure Agreement (incorporated by reference to Exhibit 10.24 to Pediatrix's Registration Statement on (Form S-1 Registration No. 33-95086)).*
10.8	Form of Exclusive Management and Administrative Services Agreement between Pediatrix and each of the PA Contractors (incorporated by reference to

Exhibit 10.25 to Pediatrix's Registration Statement on Form S-1 (Registration No. 33-95086)).*

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		M.D., Kristen Bratberg, Joseph Calabro, Karl B. Wagner and Brian T. Gillon (incorporated by reference to Exhibit 10.1 to Pediatrix's Current Report on Form 8-K dated May 25, 2001).
10.20+		Stipulation and Agreement of Settlement dated February 7, 2001, among Sands Point Partners, L.P., et. al., on behalf of themselves and all other similarly situation, and Pediatrix, Roger J. Medel, M.D., Karl B. Wagner and Lawrence M. Mullen.
21.1+		Subsidiaries of Pediatrix.
23.1+		Consent of PricewaterhouseCoopers LLP.

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* Management contract or compensation plan or arrangement.
+ Filed herewith.

PEDIATRIX MEDICAL GROUP, INC.
AMENDED AND RESTATED STOCK OPTION PLAN

1. PURPOSE. The purpose of this Plan is to advance the interests of Pediatrix Medical Group, Inc., a Florida corporation (the "Company"), providing an additional incentive to attract and retain qualified and competent persons who are key to the Company (as hereinafter defined), including key employees, Officers and Directors, and upon whose efforts and judgment the success of the Company is largely dependent, through the encouragement of stock ownership in the Company by such persons.

2. DEFINITIONS. As used herein, the following terms shall have the meaning indicated:

(a) "Board" shall mean the Board of Directors of the Company.

(b) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(c) "Committee" shall mean the stock option committee appointed by the Board pursuant to Section 14(a) hereof or, if not appointed, the Board.

(d) "Common Stock" shall mean the Company's Common Stock, par value $0.01 per share.

(e) "Company" shall refer to Pediatrix Medical Group, Inc., a Florida corporation, its wholly-owned subsidiary, Pediatrix Medical Group of Florida, Inc., and the companies related to the Company through long-term management contracts which provide the medical component of the services required in respect of any arrangement where Pediatrix Medical Group, Inc. provides the non-medical component of the services required in respect of such arrangement in various states and Puerto Rico, and any future majority owned subsidiary of the Company or any business entity, partnership or other business entity related to the Company through a long-term management contract with respect to the services described herein.

(f) "Director" shall mean a member of the Board.

(g) "Effective Date" shall mean the date the Plan was originally effective, September 20, 1995.

(h) "Employee Director" shall mean a member of the Board who is also an employee of the Company or a Subsidiary.

(i) "Fair Market Value" of a Share on any date of reference shall be the "Closing Price" (as defined below) of the Common Stock on such business day, unless the Committee in its sole discretion shall determine otherwise in a fair and uniform manner. For the purpose of determining Fair Market Value, the "Closing Price" of the Common Stock on any business day shall be (i) if the Common Stock is listed or admitted for trading on any United States national securities exchange, or if actual transactions are otherwise reported on a consolidated transaction reporting system, the last reported sale price of Common Stock on such exchange or reporting

system, as reported in any newspaper of general circulation, (ii) if the Common Stock is quoted on the National Association of Securities Dealers Automated Quotations System ("NASDAQ"), or any similar system of automated dissemination of quotations of securities prices in common use, the last reported sale price of Common Stock on NASDAQ or such system, or (iii) if neither clause (i) or (ii) is applicable, the mean between the high bid and low asked quotations for the Common Stock as reported by the National Quotation Bureau, Incorporated if at least two securities dealers have inserted both bid and asked quotations for Common Stock on at least five of the ten preceding days. If neither (i), (ii) or (iii) above is applicable, then Fair Market Value shall be determined in good faith by the Committee or the Board in a fair and uniform manner.

(j) "Grant" shall mean the agreement between the Company and the Optionee for the grant of an Option.

(k) "Incentive Stock Option" shall mean an incentive stock option as defined in Section 422 of the Code.

(l) "Non-Employee Director" shall mean a member of the Board who is not an employee of the Company or a Subsidiary.

(m) "Non-Qualified Stock Option" shall mean an Option which is not an Incentive Stock Option.

(n) "Officer" shall mean the Company's president, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the Company. Officers of Subsidiaries shall be deemed Officers of the Company if they perform such policy-making functions for the Company. As used in this paragraph, the phrase "policy-making function" does not include policy-making functions that are not significant. Unless specified otherwise in a resolution by the Board, an "executive officer" pursuant to Item 401(b) of Regulation S-K (17 C.F.R. Section. 229.401(b)) shall be only such person designated as an "Officer" pursuant to the foregoing provisions of this paragraph.

(o) "Option" (when capitalized) shall mean any option granted under this Plan.

(p) "Optionee" shall mean a person to whom a stock option is granted under this Plan or any person who succeeds to the rights of such person under this Plan by reason of the death of such person.

(q) "Outside Director" shall mean a member of the Board who qualifies as an "outside director" under Code Section 162(m) and the regulations thereunder and as a "Non-Employee Director" under Rule 16b-3 promulgated under the Securities Exchange Act.

(r) "Plan" shall mean this Stock Option Plan for the Company.

(s) "Securities Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(t) "Share(s)" shall mean a share or shares of the Common Stock.

(u) "Subsidiary" shall mean any corporation (other than the Company) in any unbroken chain of corporations beginning with the Company if, at the time of the granting of the Option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

3. SHARES AND OPTIONS. The Committee or the Board may grant to Optionees from time to time Options to purchase an aggregate of up to 8,000,000 Shares from authorized and unissued Shares. If any Option granted under the Plan shall terminate, expire, or be canceled or surrendered as to any Shares, new Options may thereafter be granted covering such Shares.

4. INCENTIVE AND NON-QUALIFIED OPTIONS. An Option granted hereunder shall be either an Incentive Stock Option or a Non-Qualified Stock Option as determined by the Committee or the Board at the time of grant of such Option and shall clearly state whether it is an Incentive Stock Option or a Non-Qualified Stock Option. All Incentive Stock Options shall be granted within 10 years from the effective date of this Plan. Incentive Stock Options may not be granted to any person who is not an employee of the Company or any Subsidiary.

5. DOLLAR LIMITATION. Options otherwise qualifying as Incentive Stock Options hereunder will not be treated as Incentive Stock Options to the extent that the aggregate Fair Market Value (determined at the time the Option is granted) of the Shares, with respect to which Options meeting the requirements of Code Section 422(b) are exercisable for the first time by any individual during any calendar year (under all plans of the Company and any Subsidiary as defined in Code Section 424), exceeds $100,000.

6. CONDITIONS FOR GRANT OF OPTIONS.

(a) Each Option shall be evidenced by an option Grant that may contain any term deemed necessary or desirable by the Committee or the Board, provided such terms are not inconsistent with this Plan or any applicable law. The Optionees shall be (i) those persons selected by the Committee or the Board from the class of all regular employees of the Company or its Subsidiaries, including Employee Directors and Officers who are regular employees of the Company and (ii) Non-Employee Directors. Any person who files with the Committee, in a form satisfactory to the Committee, a written waiver of eligibility to receive any Option under this Plan shall not be eligible to receive any Option under this Plan for the duration of such waiver.

(b) In granting Options, the Committee or the Board shall take into consideration the contribution the person has made to the success of the Company or its Subsidiaries and such other factors as the Committee or the Board shall determine. The Committee or the Board shall also have the authority to consult with and receive recommendations from officers and other personnel of the Company and its Subsidiaries with regard to these matters. The Committee or

the Board may from time to time in granting Options under the Plan prescribe such other terms and conditions concerning such Options as it deems appropriate, including, without limitation, (i) prescribing the date or dates on which the Option becomes exercisable, (ii) providing that the Option rights accrue or become exercisable in installments over a period of years, or upon the attainment of stated goals or both, or (iii) relating an Option to the continued employment of the Optionee for a specified period of time, provided that such terms and conditions are not more favorable to an Optionee than those expressly permitted herein.

(c) The Options granted to employees under this Plan shall be in addition to regular salaries, pension, life insurance or other benefits related to their employment with the Company or its Subsidiaries. Neither the Plan nor any Option granted under the Plan shall confer upon any person any right to employment or continuance of employment by the Company or its Subsidiaries.

(d) Notwithstanding any other provision of this Plan, an Incentive Stock Option shall not be granted to any person owning directly or indirectly (through attribution under Section 424(d) of the Code) at the date of grant, stock possessing more than 10% of the total combined voting power of all classes of stock of the Company (or of its parent or subsidiary corporation (as defined in Section 424 of the Code) at the date of grant) unless the option price of such Option is at least 110% of the Fair Market Value of the Shares subject to such Option on the date the Option is granted, and such Option by its terms is not exercisable after the expiration of five years from the date such Option is granted.

(e) Notwithstanding any other provision of this Plan, and in addition to any other requirements of this Plan, the aggregate number of shares with respect to which Options may be granted under the Plan to any one Director, Officer or employee shall not exceed 250,000 in any calendar year, and the aggregate number of shares with respect to which Incentive Stock Options may be granted under the Plan shall not exceed 3,250,000.

7. OPTION PRICE. The option price per Share of any Option shall be any price determined by the Committee or the Board but shall not be less than the par value per Share; provided, however, that in no event shall the option price per Share of any Incentive Stock Option or any Option granted pursuant to paragraph (a) of Section 15 of this Plan be less than the Fair Market Value of the Shares underlying such Option on the date such Option is granted.

8. EXERCISE OF OPTIONS. An Option shall be deemed exercised when (i) the Company has received written notice of such exercise in accordance with the terms of the Option, (ii) full payment of the aggregate option price of the Shares as to which the Option is exercised has been made, and (iii) arrangements that are satisfactory to the Committee or the board in its sole discretion have been made for the Optionee's payment to the Company of the amount that is necessary for the Company or Subsidiary employing the Optionee to withhold in accordance with applicable Federal or state tax withholding requirements. The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Committee or the Board and may consist of cash, certified or official bank check, money order, or if and to the extent permitted by the Committee or the Board, (x) Shares held by the Optionee for at least six (6) months (or such other Shares as the Company determines will not cause the

Company to realize a financial accounting change), (y) the withholding of Shares issuable upon exercise of the Option, or (z) by any form of cashless exercise procedure approved by the Committee or the Board, or in such other consideration as the Committee or the Board deems appropriate, or by a combination of the above. The Committee or the Board in its sole discretion may accept a personal check in full or partial payment of any Shares. If the exercise price is paid in whole or in part with Shares, or through the withholding of Shares issuable upon exercise of the Option, the value of the Shares surrendered shall be their Fair Market Value on the date the Option is exercised. The Company in its sole discretion may, on an individual basis or pursuant to a general program established in connection with this Plan, lend money to an Optionee, guarantee a loan to an Optionee, or otherwise assist an Optionee to obtain the cash necessary to exercise all or a portion of an Option granted hereunder or to pay any tax liability of the Optionee attributable to such exercise. If the exercise price is paid in whole or part with Optionee's promissory note, such note shall (i) provide for full recourse to the maker, (ii) be collateralized by the pledge of the Shares that the Optionee purchases upon exercise of such Option, (iii) bear interest at the prime rate of the Company's principal lender, and (iv) contain such other terms as the Board in its sole discretion shall reasonably require. No Optionee shall be deemed to be a holder of any Shares subject to an Option unless and until a stock certificate or certificates for such Shares are issued to such person(s) under the terms of this Plan. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions or other rights for which the record date is prior to the date such stock certificate is issued, except as expressly provided in Section 10 hereof.

9. EXERCISABILITY OF OPTIONS. Any Option shall become exercisable in such amounts, at such intervals and upon such terms as the Committee or the Board shall provide in such Option, except as otherwise provided in this Section 9.

(a) The expiration date of an Option shall be determined by the Committee or the Board at the time of grant, but in no event shall an Option be exercisable after the expiration of 10 years from the date of grant of the Option.

(b) Unless otherwise provided in any Option, each outstanding Option shall become immediately fully exercisable in the event of a "Change in Control" or in the event that the Committee or the Board exercises its discretion to provide a cancellation notice with respect to the Option pursuant to Section 10(b) hereof. For this purpose, the term "Change in Control" shall mean the approval by the shareholders of the Company of a reorganization, merger, consolidation or other form of corporate transaction or series of transactions, in each case, with respect to which persons who were the shareholders of the Company immediately prior to such reorganization, merger or consolidation or other transaction do not, immediately thereafter, own more than 50% of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated company's then outstanding voting securities, or a liquidation or dissolution of the Company or the sale of all or substantially all of the assets of the Company (unless such reorganization, merger, consolidation or other corporate transaction, liquidation, dissolution or sale is subsequently abandoned).

(c) The Committee or the Board may in its sole discretion accelerate the date on which any Option may be exercised and may accelerate the vesting of any Shares subject to any Option.

10. TERMINATION OF OPTION PERIOD.

(a) Unless otherwise provided in any Grant, the unexercised portion of any Option, other than an Option granted pursuant to Section 15 hereof, shall automatically and without notice terminate and become null and void at the time of the earliest to occur of the following:

(i) unless otherwise provided in any Grant, three months after the date on which the Optionee's employment is terminated for any reason other than by reason of (A) Cause, which, solely for purposes of this Plan, shall mean the termination of the Optionee's employment by reason of the Optionee's willful misconduct or gross negligence, (B) a mental or physical disability (within the meaning of Code Section 22(e)) as determined by a medical doctor satisfactory to the Committee or the Board, or (C) death;

(ii) immediately upon the termination of the Optionee's employment for Cause;

(iii) one year after the date on which the Optionee's employment is terminated by reason of a mental or physical disability (within the meaning of Code Section 22(e)) as determined by a medical doctor satisfactory to the Committee or the Board; or

(iv) (A) twelve months after the date of termination of the Optionee's employment by reason of death of the Optionee, or (B) three months after the date on which the Optionee shall die if such death shall occur during the one year period specified in Subsection 10(a)(iii) hereof.

All references herein to the termination of the Optionee's employment shall, in the case of an Optionee who is not an employee of the Company or a Subsidiary, refer to the termination of the Optionee's service with the Company.

(b) The Committee in its sole discretion may by giving written notice ("cancellation notice") cancel, effective upon the date of the consummation of any corporate transaction described in Section 9(b) hereof or of any reorganization, merger, consolidation or other form of corporate transaction in which the Company does not survive, any Option that remains unexercised on such date. Such cancellation notice shall be given a reasonable period of time prior to the proposed date of such cancellation and may be given either before or after approval of such corporate transaction.

11. ADJUSTMENT OF SHARES.

(a) If at any time while the Plan is in effect or unexercised Options are outstanding, there shall be any increase or decrease in the number of issued and outstanding Shares through the declaration of a stock dividend or through any recapitalization resulting in a stock split-up, combination or exchange of Shares, then and in such event:

(i) appropriate adjustment shall be made in the maximum number of Shares available for grant under the Plan, or available for grant to any person under the Plan, so that the same percentage of the Company's issued and outstanding Shares shall continue to be subject to being so optioned; and

(ii) appropriate adjustment shall be made in the number of Shares and the exercise price per Share thereof then subject to any outstanding Option, so that the same percentage of the Company's issued and outstanding Shares shall remain subject to purchase at the same aggregate exercise price.

(b) Subject to the specific terms of any Option, the Committee or the Board may change the terms of Options outstanding under this Plan, with respect to the option price or the number of Shares subject to the Options, or both, when, in the Committee's or the Board's sole discretion, such adjustments become appropriate so as to preserve but not increase benefits under the Plan.

(c) Except as otherwise expressly provided herein, the issuance by the Company of shares of its capital stock of any class, or securities convertible into shares of capital stock of any class, either in connection with direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to the number of or exercise price of Shares then subject to outstanding Options granted under the Plan.

(d) Without limiting the generality of the foregoing, the existence of outstanding Options granted under the Plan shall not affect in any manner the right or power of the Company to make, authorize or consummate (i) any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business; (ii) any merger or consolidation of the Company; (iii) any issue by the Company of debt securities, or preferred or preference stock that would rank above the Shares subject to outstanding Options; (iv) the dissolution or liquidation of the Company; (v) any sale, transfer or assignment of all or any part of the assets or business of the Company; or (vi) any other corporate act or proceeding, whether of a similar character or otherwise.

12. TRANSFERABILITY OF OPTIONS AND SHARES.

(a) No Incentive Stock Option, and unless the prior written consent of the Committee or the Board is obtained and the transaction does not violate the requirements of Rule 16B-3 promulgated under the Securities Exchange Act no Non-Qualified Stock Option, shall be subject to alienation, assignment, pledge, charge or other transfer other than by the Optionee by will or the laws of descent and distribution, and any attempt to make any such prohibited transfer shall be void. Each Option shall be exercisable during the Optionee's lifetime only by the Optionee, or in the case of a Non-Qualified Stock Option that has been assigned or transferred with the prior written consent of the Committee or the Board, only by the permitted assignee.

(b) Unless the prior written consent of the Committee or the Board is obtained and the transaction does not violate the requirements of Rule 16B-3 promulgated under the Securities

Exchange Act, no Shares acquired by an Officer or Director pursuant to the exercise of an Option may be sold, assigned, pledged or otherwise transferred prior to the expiration of the six-month period following the date on which the Option was granted.

13. ISSUANCE OF SHARES.

(a) Notwithstanding any other provision of this Plan, the Company shall not be obligated to issue any Shares unless it is advised by counsel of its selection that it may do so without violation of the applicable Federal and state laws pertaining to the issuance of securities, and may require any stock so issued to bear a legend, may give its transfer agent instructions, and may take such other steps, as in its judgment are reasonably required to prevent any such violation.

(b) As a condition of any sale or issuance of Shares upon exercise of any Option, the Committee or the Board may require such agreements or undertakings, if any, as the Committee or the Board may deem necessary or advisable to facilitate compliance with any such law or regulation including, but not limited to, the following:

(i) a representation and warranty by the Optionee to the Company, at the time any Option is exercised, that he is acquiring the Shares to be issued to him for investment and not with a view to, or for sale in connection with, the distribution of any such Shares; and

(ii) a representation, warranty and/or agreement to be bound by any legends endorsed upon the certificate(s) for such shares that are, in the opinion of the Committee or the Board, necessary or appropriate to facilitate compliance with the provisions of any securities law deemed by the Committee or the Board to be applicable to the issuance and transfer of such Shares.

14. ADMINISTRATION OF THE PLAN.

(a) The Plan shall be administered by a committee appointed by the Board (the "Committee") which shall be composed of two or more Directors all of whom shall be Outside Directors. The membership of the Committee shall be constituted so as to comply at all times with the applicable requirements of Rule 16B-3 promulgated under the Securities Exchange Act and Section 162(m) of the Internal Revenue Code. The Committee shall serve at the pleasure of the Board and shall have the powers designated herein and such other powers as the Board may from time to time confer upon it.

(b) The Board may grant Options pursuant to any persons to whom options may be granted under Section 6(a) hereof.

(c) The Committee or the Board, from time to time, may adopt rules and regulations for carrying out the purposes of the Plan. The determinations by the Committee or the Board and the interpretation and construction of any provision of the Plan or any Option by the Committee or the Board, shall be final and conclusive.

(d) Any and all decisions or determinations of the Committee shall be made either (i) by a majority vote of the members of the Committee at a meeting or (ii) without a meeting by the unanimous written approval of the members of the Committee.

15. GRANTS TO NON-EMPLOYEE DIRECTORS.

(a) Each Non-Employee Director that is not affiliated with any beneficial owner of more than 10% of the Company's Common Stock will receive on the date of his or her appointment as a Director, an Option to purchase 5,000 shares of Common Stock, which Option will become fully exercisable on the first anniversary of its grant. The per share exercise price of all Options granted to Non-Employee Directors pursuant to this Section 15(a) will be equal to the Fair Market Value of the Shares underlying such Option on the date such Option is granted. The unexercised portion of any Option granted pursuant to this Section 15(a) shall become null and void three months after the date on which such Non-Employee Director ceases to be a Director for any reason.

(b) In addition to Options granted to Non-Employee Directors pursuant to Section 15(a), the Board may grant Options to Non-Employee Directors pursuant to Section 6, subject to the provisions of the Plan generally applicable to Options granted pursuant to Section 6.

16. WITHHOLDING OR DEDUCTION FOR TAXES. If at any time specified herein for the making of any issuance or delivery of any Option or Common Stock to any Optionee or beneficiary, any law or regulation of any governmental authority having jurisdiction in the premises shall require the Company to withhold, or to make any deduction for, any taxes or take any other action in connection with the issuance or delivery then to be made, such issuance or delivery shall be deferred until such withholding or deduction shall have been provided for by the Optionee or beneficiary, or other appropriate action shall have been taken.

17. INTERPRETATION.

(a) As it is the intent of the Company that the Plan comply in all respects with Rule 16B-3 promulgated under the Securities Exchange Act ("Rule 16B-3"), any ambiguities or inconsistencies in construction of the plan shall be interpreted to give effect to such intention, and if any provision of the Plan is found not to be in compliance with Rule 16B-3, such provision shall be deemed null and void to the extent required to permit the Plan to comply with Rule 16B-3. The Committee or the Board may from time to time adopt rules and regulations under, and amend, the Plan in furtherance of the intent of the foregoing.

(b) The Plan shall be administered and interpreted so that all Incentive Stock Options granted under the Plan will qualify as Incentive Stock Options under section 422 of the Internal Revenue Code. If any provision of the Plan should be held invalid for the granting of Incentive Stock Options or illegal for any reason, such determination shall not affect the remaining provisions hereof, but instead the Plan shall be construed and enforced as if such provision had never been included in the Plan.

(c) This Plan shall be governed by the laws of the State of Florida.

(d) Headings contained in this Plan are for convenience only and shall in no manner be construed as part of this Plan.

(e) Any reference to the masculine, feminine, or neuter gender shall be a reference to such other gender as is appropriate.

18. AMENDMENT AND DISCONTINUATION OF THE PLAN. The Committee or the Board may from time to time amend, suspend or terminate the Plan or any Option; provided, however, that, any amendment to the Plan shall be subject to the approval of the Company's shareholders if such shareholder approval is required by any federal or state law or regulation (including, without limitation, Rule 16B-3 or to comply with Section 162(m) of the Internal Revenue Code) or the rules of any Stock exchange or automated quotation system on which the Common Stock may then be listed or granted. Except to the extent provided in Sections 9 and 10 hereof, no amendment, suspension or termination of the Plan or any Option issued hereunder shall substantially impair the rights or benefits of any Optionee pursuant to any Option previously granted without the consent of the Optionee.

19. AMENDED AND RESTATED EFFECTIVE DATE AND TERMINATION DATE. The Effective Date of the Amended and Restated Plan shall be the date on which the Board adopts this Amendment and Restatement of the Plan. The Plan shall terminate on the 10th anniversary of the original Effective Date.

Exhibit 10.20

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 99-6181-CIV-GONZALEZ

SANDS POINT PARTNERS, L.P.,
et al., on behalf of themselves and
all others similarly situated,

Plaintiffs,
vs.

PEDIATRIX MEDICAL GROUP, INC.,
ROGER J. MEDEL, KARL B. WAGNER,
and LAWRENCE M. MULLEN,

Defendants.

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STIPULATION AND AGREEMENT OF SETTLEMENT

This stipulation and agreement of settlement (the "Stipulation"), dated as of February 7, 2002, is made and entered into by and among lead plaintiffs, Florida State Board of Administration, Louisiana State Employees' Retirement System and New Orleans Employees' Retirement System (collectively referred to herein as the "Lead Plaintiffs"), by and on behalf of themselves and the other members of the Class (as hereinafter defined), and defendants, Pediatrix Medical Group, Inc. ("Pediatrix" or the "Company"), Roger J. Medel, Karl B. Wagner, and Lawrence M. Mullen (the "Individual Defendants") (the Individual Defendants and Pediatrix are collectively referred to herein as "Defendants"), by and through their respective counsel.

WHEREAS:

a. Beginning on or about February 16, 1999, a number of class action complaints were filed in the above Court concerning the publicly traded securities of Pediatrix (the "Pediatrix Class Actions"). The Pediatrix Class Actions alleged violations of sections 10(b) and 20(a)

of the Securities Exchange Act of 1934 (the "Exchange Act"), and Rule lOb-5 promulgated thereunder. By Order of Consolidation dated June 24, 1999, ten actions were consolidated (hereinafter referred to as the "Action"). By Order dated July 6, 1999, Florida State Board of Administration, Louisiana State Employees' Retirement System, New Orleans Employees' Retirement System, and Jacksonville Police & Fire Pension Fund were designated as Lead Plaintiffs pursuant to Section 21D(a)(3)(B) of the Exchange Act (as amended)1 and the law firms of Burt & Pucillo, LLP and Bernstein Litowitz Berger & Grossmann LLP were appointed Co-Lead Counsel for Plaintiffs and the Class.2

b. A Consolidated Amended Class Action Complaint was filed in the Action on or about August 20, 1999. On or about October 7, 1999, Defendants moved to dismiss the Consolidated Amended Class Action Complaint. On January 19, 2000, Defendants' motion to dismiss was granted with leave for Lead Plaintiffs to replead.

c. The Second Amended Consolidated Class Action Complaint (the "Complaint"), filed in the Action on or about February 3, 2000, generally alleges, among other things, that during the Class Period (hereinafter defined) Pediatrix engaged in unlawful billing practices, which practices caused Pediatrix's reported revenues, earnings and accounts receivable for that period to be overstated thereby artificially inflating the price of Pediatrix common stock, and that those practices were contrary to the Company's affirmative public statements regarding its billing practices.

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1 On or about October 16, 2001, with the agreement of Defendants, Jacksonville Police & Fire Pension Fund moved to withdraw as a Lead Plaintiff in the Action, which motion was granted on or about October 29, 2001.

2 Effective July 1, 2001, the firms of Berman DeValerio & Pease, LLP, Berman DeValerio Pease & Tabacco, P.C., and Burt & Pucillo, LLP merged their practices. The combined firm is now known as Berman DeValerio Pease Tabacco Burt & Pucillo.

d. The Complaint further alleges that Lead Plaintiffs and the other Class members purchased the common stock or call options and sold put options on Pediatrix's common stock during the Class Period at artificially inflated prices and were damaged as a result of Defendants' dissemination of false and misleading statements regarding Pediatrix in violation of sections 10(b) and 20(a) of the Exchange Act and Rule l0b-5 promulgated thereunder.

e. On or about June 6, 2000, the Court denied Defendants' motion to dismiss the Complaint. On or about June 26, 2000, the Defendants' Answer was filed denying the substantive allegations of wrongdoing in the Complaint.

f. The parties thereafter commenced fact discovery. Throughout the second half of the year 2000 and most of 2001, the parties engaged in extensive discovery. Over 200,000 pages of documents were reviewed and over twenty-five depositions were taken. The parties concluded fact discovery and virtually all expert discovery. Various discovery motions, a motion for summary judgment and motions in limine were filed, briefed and ruled upon by the Court.

g. On or about September 15, 2000, Lead Plaintiffs filed their motion for class certification, which was unopposed by Defendants. On November 6, 2000, the Court granted Lead Plaintiffs' motion for class certification, and certified, pursuant to Fed. R. Civ. P. 23(a) and (b)(3), a class consisting of: all persons who purchased Pediatrix Medical Group, Inc. common stock, purchased Pediatrix call options, or sold Pediatrix put options between March 31,1997 and April 2, 1999, inclusive. Excluded from the Class are Pediatrix, its subsidiaries and affiliates, the Individual Defendants, members of the immediate families of each of the Individual Defendants, and any entities in which any of the Defendants has a controlling interest, and the legal representatives, heirs, successors, affiliates or assigns of any of the foregoing excluded persons and entities. On or about May 23, 2001, the Court approved the proposed Notice of Pendency of Class Action to the Class and the Summary Notice of Pendency of

Class Action for publication. Notice of class certification was provided to Class members in accordance with the provisions of the May 23, 2001 Order.

h. A Joint Pretrial Stipulation was filed on or about September 1, 2001, a pretrial conference was held with the Court on November 19, 2001 and trial of this action was scheduled to commence on January 14, 2002.

i. On or about December 13, 2001, the parties entered into a Memorandum of Understanding ("MOU"), memorializing their agreement in principle to settle the Action, subject to Court approval, on the terms set forth therein. Among other things, the MOU provides that Defendants shall pay or cause to be paid to the Class, in settlement of the claims against them, the sum of $12,000,000 (twelve million dollars), to be deposited into an interest bearing account designated by Co-Lead Counsel within ten (10) business days of preliminary approval of the Stipulation, or ten (10) business days after Lead Plaintiffs furnish payment instructions for the settlement account to Defendants' counsel, whichever occurs last. In exchange for this consideration, Lead Plaintiffs agreed, upon final approval of the Settlement, to dismiss the Action with prejudice and to release all claims, known and unknown, arising out of the purchase or acquisition of Pediatrix common stock and Pediatrix call options and the sale of Pediatrix put options during the Class Period and relating to the allegations of the Complaint, which have been or could have been asserted by any member of the Class in the Action against the Defendants and various other related parties. Defendants agreed to release Plaintiffs, the members of the Class and their counsel from any claims relating to the institution, prosecution or settlement of the Action.

j. Defendants deny any wrongdoing whatsoever and this Stipulation shall in no event be construed or deemed to be evidence of or an admission or concession on the part of any Defendant with respect to any claim of any fault or liability or wrongdoing or damage whatsoever, or any infirmity in the defenses that Defendants could have asserted. Defendants assert that they complied with all applicable laws and regulations and deny that they have committed any act or omission giving rise to any liability and/or violation of law and state that they are entering into this Settlement to eliminate the burden and expense of further litigation.

k. Lead Plaintiffs' Co-Lead Counsel conducted an investigation relating to the claims and the underlying events and transactions alleged in the Complaint and assert that the allegations they pursued in this Action are meritorious. Among other things, Lead Plaintiffs' Co-Lead Counsel analyzed the public records and evidence adduced during pretrial discovery and researched the applicable law with respect to the claims of Lead Plaintiffs and the other members of the Class against Defendants and the potential defenses thereto.

l. Lead Plaintiffs, with and through their counsel, conducted discussions and arms'-length negotiations, including mediations, with counsel for and representatives of Defendants to determine if the Action could be compromised and settled achieving the best relief possible consistent with the interests of the Class.

m. Based on their investigation and pretrial discovery as set forth above, Lead Plaintiffs and their counsel have concluded that the terms and conditions of this Stipulation are fair, reasonable and adequate to Lead Plaintiffs and the other members of the Class, and in their best interests, and have agreed to settle the claims raised in the Action pursuant to the terms and provisions of this Stipulation, after considering (a) the substantial benefits that Lead Plaintiffs and the other members of the Class will receive from settlement of the Action, (b) the attendant

risks of continued litigation, especially in complex actions such as this Action, as well as the difficulties and delays inherent in such litigation, and (c) the desirability of permitting the Settlement to be consummated as provided by the terms of this Stipulation.

NOW THEREFORE, without any admission or concession on the part of Lead Plaintiffs of any lack of merit of the Action whatsoever, and without any admission or concession of any liability or wrongdoing or lack of merit in the defenses whatsoever by Defendants, it is hereby

STIPULATED AND AGREED, by and among the parties to this Stipulation, through their respective attorneys, subject to approval of the Court pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, in consideration of the benefits flowing to the parties hereto from the Settlement, that all Released and Settled Claims (as defined below) as against the Released Parties (as defined below) and all Released and Settled Defendants' Claims (as defined below) shall be compromised, settled, released and dismissed with prejudice, upon and subject to the following terms and conditions:

CERTAIN DEFINITIONS

1. As used in this Stipulation, the following terms shall have the following meanings:

(1) "Class" and "Class Members" means Lead Plaintiffs and all other persons or entities who purchased the common stock of Pediatrix or purchased Pediatrix call options or sold Pediatrix put options during the period between March 31, 1997 and April 2, 1999, inclusive (the "Class Period"). Excluded from the Class are Defendants herein and the members of the Individual Defendants' immediate families, any entity in which any Defendant has a controlling interest or is a parent or subsidiary of or is controlled by any Defendant, and their legal representatives, heirs, affiliates, successors and assigns of any of the excluded persons or entities.

Also excluded from the Class are any putative Class Members who excluded themselves by filing a request for exclusion in accordance with the requirements set forth in the Notice of Pendency of Class Action.

(2) "Authorized Claimant" means a Class Member who submits a timely and valid Proof of Claim form to the Claims Administrator.

(3) "Class Period" means the period of time between March 31, 1997 and April 2, 1999, inclusive.

(4) "Complaint" means the Second Consolidated Amended Class Action Complaint filed on or about February 3, 2000.

(5) "Effective Date of Settlement" or "Effective Date" means the date upon which the Settlement contemplated by this Stipulation shall become effective, as set forth in ss.23 below.

(6) "Defendants" means Pediatrix Medical Group, Inc., Roger J. Medel, Karl B. Wagner and Lawrence M. Mullen.

(7) "Defendants' Counsel" means the law firms of Davis Polk & Wardwell and Hunton & Williams.

(8) "Individual Defendants" means Roger J. Medel, Karl B. Wagner and Lawrence M. Mullen.

(9) "Notice" means the Notice of Proposed Settlement of Class Action, Settlement Fairness Hearing, and Right to Share in Settlement Fund, which is to be sent to members of the Class substantially in the form attached hereto as Exhibit 1 to Exhibit A.

(10) "Order and Final Judgment" means the proposed order to be entered approving the Settlement substantially in the form attached hereto as Exhibit B.

(11) "Order for Preliminary Approval of Settlement" means the proposed Preliminary Order in Connection with Settlement Proceedings preliminarily approving the Settlement and directing notice thereof to the Class substantially in the form attached hereto as Exhibit A.

(12) "Plaintiffs" means the Lead Plaintiffs, Jacksonville Police & Fire Pension Fund, and all of the non-lead plaintiffs named in the Complaint.

(13) "Plaintiffs' Counsel" means Plaintiffs' Co-Lead Counsel and all other counsel appearing on the Complaint.

(14) "Plaintiffs' Co-Lead Counsel" means the law firms of Berman DeValerio Pease Tabacco Burt & Pucillo and Bernstein Litowitz Berger & Grossmann LLP.

(15) "Publication Notice" means the Summary Notice of Proposed Settlement and Settlement Hearing for publication substantially in the form attached as Exhibit 3 to Exhibit A.

(16) "Recognized Claim" means the amount of an Authorized Claimant's loss that is determined by the Claims Administrator to be compensable under the Plan of Allocation.

(17) "Released Parties" means Pediatrix, the Individual Defendants, and each of their past or present subsidiaries, parents, successors, predecessors, insurers, reinsurers, officers, directors, shareholders, employees, agents, advisors, investment advisors, attorneys, auditors, accountants, heirs, beneficiaries, and any person, firm, trust, corporation, officer, director or other individual or entity in which any Defendant has a controlling interest or which is related to or affiliated with any of the Defendants and the legal representatives, heirs, successors in interests or assigns of the Defendants.

(18) "Released and Settled Claims" means any and all claims, rights or causes of action or liabilities whatsoever, whether based on federal, state, local, statutory or common law or any other law, rule or regulation, including both known and Unknown Claims, that have been or could have been or could be asserted in any forum by Plaintiffs or any of the other Class Members against any of the Released Parties which arise out of or relate in any way to the following during the Class Period: (1) the purchase of Pediatrix common stock; the purchase of Pediatrix call options; or the sale of Pediatrix put options; and (2) the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth or referred to in the Complaint.

(19) "Released and Settled Defendants' Claims" means any and all claims, rights or causes of action or liabilities whatsoever, whether based on federal, state, local, statutory or common law or any other law, rule or regulation, including both known and Unknown Claims that have been or could be asserted in any forum by Pediatrix and the Individual Defendants, the Released Parties or any of them or the successors and assigns of any of them against any of the Plaintiffs, the Jacksonville Police & Fire Pension Fund, other Class Members or their attorneys, which arise out of or relate in any way to the institution or prosecution of the Action.

(20) "Settlement" means the settlement contemplated by this Stipulation.

(21) "Claims Administrator" means The Garden City Group, Inc., selected by Plaintiffs' Co-Lead Counsel subject to approval of the Court which shall administer the Settlement.

(22) "Unknown Claims" means any and all Released and Settled Claims which any Lead Plaintiff or other Class Member does not know or suspect to exist in his, her or its

favor at the time of the release of the Released Parties, and any Released and Settled Defendants' Claims which any Defendant does not know or suspect to exist in his or its favor, which if known by him or it might have affected his or its decision(s) with respect to the Settlement. With respect to any and all Released and Settled Claims and Released and Settled Defendants' Claims, the parties stipulate and agree that, upon the Effective Date, Lead Plaintiffs and Defendants shall expressly, and each Class Member shall be deemed to have, and by operation of the Order and Final Judgment shall have, expressly waived any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to Cal. Civ. Code ss. 1542, which provides:

> A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Plaintiffs and the Defendants acknowledge, and the other Class Members by operation of law shall be deemed to have acknowledged, that the inclusion of "Unknown Claims" in the definition of Released and Settled Claims and Released and Settled Defendants' Claims was separately bargained for and each was a key element of the Settlement.

SCOPE AND EFFECT OF SETTLEMENT

2. The obligations incurred pursuant to this Stipulation shall be in full and final disposition of the Action and any and all Released and Settled Claims as against all Released Parties and any and all Released and Settled Defendants' Claims.

3. (1) By operation of the Order and Final Judgment, upon the Effective Date of this Settlement, Lead Plaintiffs and the other members of the Class on behalf of themselves, their heirs, executors, administrators, successors and assigns, and any persons they represent, shall,

with respect to each and every Released and Settled Claim, release and forever discharge, and shall forever be enjoined from prosecuting, any Released and Settled Claims against any of the Released Parties.

(2) By operation of the Order and Final Judgment, upon Effective Date of this Settlement, Pediatrix and each Individual Defendant, on behalf of himself, his executor, administrator and the Released Parties, shall release and forever discharge each and every of the Released and Settled Defendants' Claims, and shall forever be enjoined from prosecuting any Released and Settled Defendants' Claims.

THE SETTLEMENT CONSIDERATION

4. (1) Defendants shall deposit or cause to be deposited within ten (10) business days of entry of the Order for Preliminary Approval of Settlement or within ten (10) business days after Lead Plaintiffs furnish payment instructions for the Settlement Account to Defendants' Counsel, whichever last occurs, the total sum of $12,000,000 by wire transfer or check into an interest-bearing escrow account (the "Settlement Amount" or "Settlement Fund").

(2) The Settlement Amount and any interest earned thereon shall be the Gross Settlement Fund. The Gross Settlement Fund, net of any Taxes (as defined below) on the income thereof, shall be used to pay (i) the Notice and Administration Costs referred to in P. 7 hereof, (ii) the attorneys' fee and expense award referred to in P. 8 hereof, (iii) the remaining administration expenses referred to in P. 11 hereof. The balance of the Gross Settlement Fund after the above payments shall be the Net Settlement Fund that shall be distributed to the Authorized Claimants as provided in P. P. 12-14 hereof. Any sums required to be held in escrow prior to the Effective Date shall be held by Plaintiffs' Co-Lead Counsel as Escrow Agents for the Settlement Fund. All funds held by the Escrow Agents shall be deemed to be in the custody of the Court and shall remain subject to the jurisdiction of the Court until such time as the funds

shall be distributed or returned to Defendants pursuant to this Stipulation and/or further order of the Court. The Escrow Agents shall invest any funds in excess of $100,000 in short term United States Agency or Treasury Securities, and shall collect and reinvest all interest accrued thereon. Any funds held in escrow in an amount of less than $100,000 may be held in an interest-bearing account insured by the FDIC. The parties hereto agree that the Settlement Fund is intended to be a Qualified Settlement Fund within the meaning of Treasury Regulation ss. 1.468B2(k)(3), Plaintiffs' Co-Lead Counsel shall be responsible for filing tax returns for the Settlement Fund and paying from the Settlement Fund any Taxes owed with respect to the Settlement Fund. Plaintiffs' Co-Lead Counsel shall indemnify and hold harmless the Released Parties for any liability for Taxes or Tax Expense. Counsel for Defendants agree to provide promptly to the Escrow Agents the statement described in Treasury Regulations ss. 1.468B3(e).

5. All (i) taxes on the income of the Settlement Fund, and (ii) expenses and costs incurred in connection with the taxation of the Settlement Fund (including, without limitation, expenses of tax attorneys and accountants) (collectively "Taxes") shall be paid out of the Settlement Fund, shall be considered to be a cost of administration of the Settlement and shall be timely paid by the Escrow Agents without prior Order of the Court. The Escrow Agents shall inform counsel for Defendants of such tax payments.

ADMINISTRATION

6. The Claims Administrator shall administer the Settlement under Plaintiffs' Co-Lead Counsel's supervision and subject to the jurisdiction of the Court. Defendants and their counsel shall have no role in or responsibility for administering the Settlement, reviewing or challenging claims submitted, and shall have no liability to the Class in connection with such administration. Defendants and their counsel shall cooperate in the administration of the Settlement to the extent reasonably necessary to effectuate its terms. Defendant Pediatrix shall promptly provide or

cause to be provided to the claims administrator any information in its possession or control needed to assist the claims administrator in providing Notice to the Class.

7. Prior to the Effective Date, Plaintiffs' Co-Lead Counsel may expend from the Settlement Fund, without further approval from Defendants or the Court, up to $100,000 to pay the reasonable costs and expenses associated with the administration of the Settlement, including without limitation, the costs of identifying members of the Class and effecting mail Notice and Publication Notice. Such amounts shall include, without limitation, the actual costs of publication, printing and mailing the Notice, reimbursements to nominee owners for forwarding Notice to their beneficial owners, and the administrative expenses incurred and fees charged by the Claims Administrator in connection with providing Notice and processing the submitted claims.

ATTORNEYS' FEES AND EXPENSES

8. Plaintiffs' Co-Lead Counsel, on behalf of all Plaintiffs' Counsel, will apply to the Court for an award from the Gross Settlement Fund of attorneys' fees and reimbursement of expenses. Such attorneys' fees, expenses and costs, including the fees of experts and consultants, as awarded by the Court ("Fee and Expense Award"), shall be paid from the Gross Settlement Fund to Plaintiffs' Co-Lead Counsel, as ordered, immediately upon the District Court's entry of the Order and Final Judgment substantially in the form attached hereto as Exhibit B and approval of an award of fees and expenses. Plaintiffs' Co-Lead Counsel shall thereafter be responsible for allocating the attorneys' fees amongst all Plaintiffs' Counsel. In the event that the Effective Date does not occur, or the Order and Final Judgment or the Fee and Expense Award is reversed or modified in a material respect, or the Stipulation is cancelled or terminated for any other reason, and in the event that the Fee and Expense Award has been paid to any extent, then each Plaintiffs' Counsel shall within five (5) business days from receiving

notice from Defendants' Counsel, or from a court of appropriate jurisdiction, refund to the Gross Settlement Fund, the fees, expenses and costs previously paid to them from the Gross Settlement Fund plus interest thereon at the same rate as earned on the Gross Settlement Fund in an amount consistent with such reversal or modification. The award of attorneys' fees is not a necessary term of this Stipulation and it is not a condition of this Stipulation that Plaintiffs' Co-Lead Counsel petition for fees and expenses be approved by the Court.

9. The procedure for and the allowance or disallowance by the Court of any application by Plaintiffs' Co-Lead Counsel for attorneys' fees, costs and expenses to be paid out of the Gross Settlement Fund, are not part of the Settlement set forth in this Stipulation, and are to be considered by the Court separately from the Court's consideration of the fairness, reasonableness and adequacy of the Settlement set forth in this Stipulation, and any order or proceedings relating to the fee and expense application, or any appeal from any order relating thereto or reversal or modification thereof, shall not operate to terminate or cancel this Stipulation, or affect or delay the finality of the Order and Final Judgment approving this Stipulation, the Effective Date, or the Settlement of the Action set forth herein.

10. Defendants and their counsel shall have no responsibility for, and no liability whatsoever with respect to the allocation amongst Plaintiffs' Counsel, and/or any other person who may assert some claim thereto, of any Fee and Expense Award that the Court may make in the Action. Defendants will take no position with respect to Plaintiffs' Co-Lead Counsel's application for attorneys' fees and reimbursement of expenses.

ADMINISTRATION EXPENSES

11. Plaintiffs' Co-Lead Counsel will apply to the Court, on notice to Defendants' Counsel for an order (the "Class Distribution Order") approving the Claims Administrator's administrative determinations concerning the acceptance and rejection of the claims submitted

herein and approving any fees and expenses not previously applied for, including the fees and expenses of the Claims Administrator, determining that the Effective Date has occurred and directing payment of the Net Settlement Fund to Authorized Claimants.

DISTRIBUTION TO AUTHORIZED CLAIMANTS

12. The Claims Administrator shall determine each Authorized Claimant's pro rata share of the cash in the "Net Settlement Fund" (as defined in P. 4 hereof) based upon each Authorized Claimant's Recognized Claim (as defined in the Plan of Allocation described in the Notice annexed hereto as Exhibit 1 to Exhibit A, or in such other Plan of Allocation as the Court approves).

13. The Plan of Allocation proposed in the Notice is not a necessary term of this Stipulation and it is not a condition of this Stipulation that that Plan of Allocation be approved. Defendants will not have any responsibility for nor any involvement with the Plan of Allocation and will take no position with respect to such proposed Plan of Allocation or such plan as may be approved by the Court.

14. Each Authorized Claimant shall be allocated a pro rata share of the cash in the Net Settlement Fund based on his, her or its Recognized Claim compared to the total Recognized Claims of all Authorized Claimants. This is not a claims made settlement. Defendants will have no ability to get back any of the settlement monies once the Effective Date occurs. Defendants will have no involvement in reviewing or challenging claims.

ADMINISTRATION OF THE SETTLEMENT

15. Plaintiffs' Co-Lead Counsel shall be responsible for supervising the administration of the Settlement and disbursement of the Net Settlement Fund by the Claims Administrator. Except for their obligation to pay the Settlement Amount, Defendants and their counsel shall have no liability, obligation or responsibility for the administration of the Settlement or

disbursement of the Net Settlement Fund. Plaintiffs' Co-Lead Counsel shall have the right, but not the obligation, to waive what they deem to be formal or technical defects in any Proof of Claim submitted in the interest of achieving substantial justice.

16. For purposes of determining the extent, if any, to which a Class Member shall be entitled to be treated as an "Authorized Claimant", the following conditions shall apply:

(1) Each Class Member shall be required to submit a Proof of Claim (substantially in the form attached as Exhibit 2 to Exhibit A), supported by such documents as are designated therein, including proof of the Claimant's loss, or such other documents or proof as Plaintiffs' Co-Lead Counsel, in their discretion, may deem acceptable;

(2) All Proofs of Claim must be submitted by the date specified in the Notice unless such period is extended by Order of the Court. Any Class Member who fails to submit a Proof of Claim by such date shall be forever barred from receiving any payment pursuant to this Stipulation (unless, by Order of the Court, a later submitted Proof of Claim by such Class Member is approved), but shall in all other respects be bound by all of the terms of this Stipulation and the Settlement including the terms of the Order and Final Judgment to be entered in the Action and the releases provided for herein, and will be barred from bringing any action against the Released Parties concerning the Released and Settled Claims. Provided that it is actually received no later than thirty (30) days after the final date for submission of Proofs of Claim, a Proof of Claim shall be deemed to have been submitted when posted, if received with a postmark indicated on the envelope and if mailed first-class postage prepaid and addressed in accordance with the instructions thereon. In all other cases, the Proof of Claim shall be deemed to have been submitted when actually received by Plaintiffs' Co-Lead Counsel or their designee;

(3) Each Proof of Claim shall be submitted to and reviewed by the Claims Administrator, under the supervision of Plaintiffs' Co-Lead Counsel, who shall determine in accordance with this Stipulation the extent, if any, to which each claim shall be allowed, subject to review by the Court pursuant to subparagraph (5) below;

(4) Proofs of Claim that do not meet the filing requirements may be rejected. Prior to rejection of a Proof of Claim, the Claims Administrator shall communicate with the Claimant in order to afford him, her or it the opportunity to remedy any curable deficiencies in the Proof of Claim submitted. The Claims Administrator, under supervision of Plaintiffs' Co-Lead Counsel, shall notify, in a timely fashion and in writing, all Claimants whose Proofs of Claim they propose to reject in whole or in part, setting forth the reasons therefor, and shall indicate in such notice that the Claimant whose claim is to be rejected has the right to a review by the Court if the Claimant so desires and complies with the requirements of subparagraph (5) below;

(5) If any Claimant whose claim has been rejected in whole or in part desires to contest such rejection, the Claimant must, within twenty (20) days after the date of mailing of the notice required in subparagraph (4) above, serve upon the Claims Administrator a notice and statement of reasons indicating the Claimant's grounds for contesting the rejection along with any supporting documentation, and requesting a review thereof by the Court. If a dispute concerning a claim cannot be otherwise resolved, Plaintiffs' Co-Lead Counsel shall thereafter present the request for review to the Court; and

(6) The administrative determinations of the Claims Administrator accepting and rejecting claims shall be presented to the Court, on notice to Defendants' Counsel for approval by the Court in the Class Distribution Order.

17. Each Claimant shall be deemed to have submitted to the jurisdiction of the Court with respect to the Claimant's claim, and the claim will be subject to investigation and discovery under the Federal Rules of Civil Procedure, provided that such investigation and discovery shall be limited to that Claimant's status as a Class Member and the validity and amount of the Claimant's claim. No discovery shall be allowed on the merits of the Action or the Settlement in connection with processing of the Proofs of Claim.

18. Payment pursuant to this Stipulation shall be deemed final and conclusive against all Class Members. All Class Members who do not submit a claim or whose claims are not approved by the Court shall be barred from participating in distributions from the Net Settlement Amount, but otherwise shall be bound by all of the terms of this Stipulation and the Settlement, including the terms of the Order and Final Judgment to be entered in the Action and the releases provided for herein, and will be barred from bringing any action against the Released Parties concerning the Released and Settled Claims.

19. All proceedings with respect to the administration, processing and determination of claims described in this Stipulation and the determination of all controversies relating thereto, including disputed questions of law and fact with respect to the validity of claims, shall be subject to the jurisdiction of the Court.

20. The Net Settlement Amount shall be distributed to Authorized Claimants by the Claims Administrator only after the Effective Date and after: (i) all Claims have been processed, and all Claimants whose claims have been rejected or disallowed, in whole or in part, have been notified and provided the opportunity to be heard concerning such rejection or disallowance; (ii) all objections with respect to all rejected or disallowed claims not otherwise resolved, have been resolved by the Court, and all appeals therefrom have been resolved or the time therefore has

expired; (iii) all matters with respect to attorneys' fees, costs, and disbursements have been resolved by the Court, all appeals therefrom have been resolved or the time therefor has expired, and (iv) all costs of administration and Taxes on the Settlement Fund have been paid.

TERMS OF ORDER FOR PRELIMINARY APPROVAL OF SETTLEMENT

21. Concurrently with their application for preliminary Court approval of the Settlement contemplated by this Stipulation, Plaintiffs' Co-Lead Counsel and the Defendants' Counsel jointly shall apply to the Court for entry of an Order for Preliminary Approval of Settlement, substantially in the form annexed hereto as Exhibit A.

TERMS OF ORDER AND FINAL JUDGMENT

22. If the Settlement contemplated by this Stipulation is approved by the Court, counsel for the parties shall request that the Court enter the Order and Final Judgment substantially in the form annexed hereto as Exhibit B.

EFFECTIVE DATE OF SETTLEMENT, WAIVER OR TERMINATION

23. The Effective Date of Settlement shall be the date when all the following shall have occurred:

(1) Entry of the Order for Preliminary Approval of Settlement in all material respects in the form annexed hereto as Exhibit A;

(2) Approval by the Court of the Settlement;

(3) Entry by the Court of the Order and Final Judgment, in all material respects in the form set forth in Exhibit B annexed hereto, and the expiration of any time for appeal or review of so much of the Order and Final Judgment as approves the fairness, reasonableness and adequacy of the Settlement, or, if any such appeal is filed and not dismissed, after the approval of the fairness, reasonableness and adequacy of the Settlement is upheld on appeal and is no longer subject to review upon appeal or review by writ of certiorari, or, in the

event that the Court enters an order and final judgment in form other than that provided above ("Alternative Judgment") and none of the parties hereto elect to terminate this Settlement pursuant to P. 24, the date that such Alternative Judgment becomes final and no longer subject to appeal or review. The Effective Date shall not be delayed by any modification of or appeal from those parts of the Order and Final Judgment that pertain to either the Plan of Allocation or the award of attorneys' fees and expenses.

24. Defendants' Counsel with the consent of their insurers or Plaintiffs' Co-Lead Counsel shall have the right to terminate the Settlement and this Stipulation by providing written notice of their election to do so ("Termination Notice") to all other parties hereto within thirty (30) days of (a) the Court's declining to enter the Order for Preliminary Approval of Settlement in any material respect; (b) the Court's refusal to approve this Stipulation or any material part of it; (c) the Court's declining to enter the Order and Final Judgment in any material respect; (d) the date upon which the Order and Final Judgment is modified or reversed in any material respect by the Court of Appeals or the Supreme Court; or (e) the date upon which an Alternative Judgment is modified or reversed in any material respect by the Court of Appeals or the Supreme Court.

25. Except as otherwise provided herein, in the event the Settlement is terminated or modified in any material respect or fails to become effective for any reason, then the parties to this Stipulation shall be deemed to have reverted to their respective status in the Action as of the date and time immediately prior to the execution of the MOU and, except as otherwise expressly provided, the parties shall proceed in all respects as if the MOU and this Stipulation and any related orders had not been entered, and any portion of the Settlement Amount previously paid by or on behalf of Defendants, together with any interest earned thereon, less any Taxes due with respect to such income, and less costs of administration and notice actually incurred and paid or

payable from the Settlement Amount (not to exceed $100,000 without the prior approval of Defendants and the Court), shall be returned to Defendants or their insurers paying the same within ten (10) business days from receiving Notice from the Defendants' Counsel.

NO ADMISSION OF WRONGDOING

26. This Stipulation, whether or not consummated, and any proceedings taken pursuant to it:

(1) Shall not be offered or received against Defendants as evidence of or construed as or deemed to be evidence of any presumption, concession or admission by any Defendant of the truth of any fact alleged by Lead Plaintiffs or the validity of any claim that had been or could have been asserted in the Action or in any litigation, or the deficiency of any defense that has been or could have been asserted in the Action or in any litigation, or of any liability, negligence, fault, or wrongdoing of any Defendant;

(2) Shall not be offered or received against any Defendant as evidence of a presumption, concession or admission of any fault, misrepresentation or omission with respect to any statement or written document approved or made by any Defendant, or against the Lead Plaintiffs, Jacksonville Police & Fire Pension Fund, and the other members of the Class as evidence of any infirmity in the claims of Lead Plaintiffs, Jacksonville Police & Fire Pension Fund, and the other members of the Class;

(3) Shall not be offered or received against Defendants as evidence of a presumption, concession or admission of any liability, negligence, fault or wrongdoing, or in any way referred to for any other reason as against any of the parties to this Stipulation, in any other civil, criminal or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of this Stipulation; provided, however, that if this

Stipulation is approved by the Court, Defendants may refer to it to effectuate the liability protection granted them hereunder;

(4) Shall not be construed against Defendants or Lead Plaintiffs, Jacksonville Police & Fire Pension Fund, and the other members of the Class as an admission or concession that the consideration to be given hereunder represents the amount which could be or would have been recovered after trial; and

(5) Shall not be construed as or received in evidence as an admission, concession or presumption against Lead Plaintiffs, Jacksonville Police & Fire Pension Fund, or the other members of the Class or any of them that any of their claims are without merit or that damages recoverable under the Complaint would not have exceeded the Settlement Amount.

MISCELLANEOUS PROVISIONS

27. All of the exhibits attached hereto are hereby incorporated by reference as though fully set forth herein.

28. The parties to this Stipulation intend the Settlement to be a final and complete resolution of all disputes asserted or which could be asserted by the Class Members against the Released Parties with respect to the Released and Settled Claims. Accordingly, Lead Plaintiffs and Defendants agree not to assert in this action that the litigation was brought or defended in bad faith or without a reasonable basis. The parties hereto stipulate that the complaints, amended complaints, dispositive motions and responsive pleadings were all filed with evidentiary support and consistent with existing law. Accordingly, the parties shall assert no claims of any violation of Rule 11 of the Federal Rules of Civil Procedure relating to the prosecution or defense of the Action. The parties agree that the amount paid and the other terms of the Settlement were negotiated at arm's-length in good faith by the parties, and reflect a settlement that was reached voluntarily after consultation with experienced legal counsel.

29. Plaintiffs agree that neither they nor their counsel will voluntarily use, or provide or disclose in any other proceeding or to any third party any materials obtained from Defendants or third parties in this litigation, or any reports or other writings based on such materials.

30. Upon the Effective Date of the Settlement, Plaintiffs' Co-Lead Counsel, at their option, shall either destroy or return to counsel for Defendants (at Defendants' expense) all documents and other materials produced by Defendants and any third parties in discovery from this litigation in the possession of Plaintiffs' Co-Lead Counsel except for those documents which are deposition and trial exhibits.

31. This Stipulation may not be modified or amended, nor may any of its provisions be waived except by a writing signed by all parties hereto or their successors-in-interest.

32. The headings herein are used for the purpose of convenience only and are not meant to have legal effect.

33. The administration and consummation of the Settlement as embodied in this Stipulation shall be under the authority of the Court and the Court shall retain jurisdiction for the purpose of entering orders providing for awards of attorneys' fees and expenses to Lead Plaintiffs' counsel and enforcing the terms of this Stipulation.

34. The waiver by one party of any breach of this Stipulation by any other party shall not be deemed a waiver of any other prior or subsequent breach of this Stipulation.

35. This Stipulation and its exhibits constitute the entire agreement among the parties hereto concerning the Settlement of the Action, and no representations, warranties, or inducements have been made by any party hereto concerning this Stipulation and its exhibits other than those contained and memorialized in such documents.

36. This Stipulation may be executed in one or more counterparts. All executed counterparts and each of them shall be deemed to be one and the same instrument provided that counsel for the parties to this Stipulation shall exchange among themselves original signed counterparts.

37. This Stipulation shall be binding upon, and inure to the benefit of, the successors and assigns of the parties hereto.

38. The construction, interpretation, operation, effect and validity of this Stipulation, and all documents necessary to effectuate it, shall be governed by the internal laws of the State of Florida without regard to conflicts of laws, except to the extent that federal law requires that federal law govern.

39. This Stipulation shall not be construed more strictly against one party than another merely by virtue of the fact that it, or any part of it, may have been prepared by counsel for one of the parties, it being recognized that it is the result of arm's-length negotiations between the parties and all parties have contributed substantially and materially to the preparation of this Stipulation.

40. All counsel and any other person executing this Stipulation and any of the exhibits hereto, or any related settlement documents, warrant and represent that they have the full authority to do so and that they have the authority to take appropriate action required or permitted to be taken pursuant to the Stipulation to effectuate its terms.

41. Plaintiffs' Co-Lead Counsel and Defendants' Counsel agree to cooperate fully with one another in seeking Court approval of the Order for Preliminary Approval of Settlement, the Stipulation and the Settlement, and to promptly agree upon and execute all such other documentation as may be reasonably required to obtain final approval by the District Court of the Settlement.

DATED: February 7, 2002

HUNTON & WILLIAMS

By: /s/ Barry Rodney Davidson

Barry Rodney Davidson
1111 Brickell Avenue
Suite 2500
Miami, FL 33131-3136
Tel: 305/810-2500
Fax: 305/810-2460

Co-Counsel for Defendants

BERMAN DEVALERIO PEASE
TABACCO BURT & PUCILLO

By: /s/ Michael J. Pucillo

Michael J. Pucillo
FNB: 261033
Wendy H. Zoberman
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515 North Flagler Drive
Suite 1701
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Tel: 561/835-9400
Fax: 561/835-0322

Co-Lead Counsel for Plaintiffs
and the Class

DAVIS POLK & WARDWELL

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Robert F. Wise, Jr.
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New York, NY 10017
Tel: 212/450-4000
Fax: 212/450-4800

Co-Counsel for Defendants

BERNSTEIN LITOWITZ BERGER
& GROSSMANN LLP

By: /s/ Max W. Berger

Max W. Berger
John P. Coffey
Rochelle Feder Hansen
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New York, NY 10019
Tel: 212/554-1400
Fax: 212/554-1444

Co-Lead Counsel for Plaintiffs
and the Class

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and accurate copy of the foregoing has been furnished via Federal Express to defense counsel and via U.S. Mail to all other counsel on the attached Service List this February 7, 2002.

/s/ Wendy H. Zoberman

Wendy H. Zoberman

EXHIBIT A

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 99-6181-CIV-GONZALEZ

SANDS POINT PARTNERS, L.P.,
et al. on behalf of themselves and
all others similarly situated,

Plaintiffs,

vs.

PEDIATRIX MEDICAL GROUP, INC.,
ROGER J. MEDEL, KARL B. WAGNER,
and LAWRENCE M. MULLEN,

Defendants.

- ----------/

PRELIMINARY ORDER IN CONNECTION WITH SETTLEMENT PROCEEDINGS

WHEREAS, on or about _____, 2002, the parties to the above-entitled certified class action litigation (the "Action") entered into a Stipulation and Agreement of Settlement (the "Stipulation") which is subject to review under Rule 23 of the Federal Rules of Civil Procedure ("Fed. R. Civ. P.") and which, together with the exhibits thereto, sets forth the terms and conditions for the proposed settlement of the claims alleged against the Defendants in the Second Amended Consolidated Class Action Complaint (the "Complaint");

WHEREAS, the Court has read and considered the Stipulation and the accompanying documents; and the parties to the Stipulation having consented to the entry of this Order; and all capitalized terms used herein having the meanings defined in the Stipulation;

NOW, THEREFORE, IT IS HEREBY ORDERED, this _____ day of _____, 2002, that:

1. The Settlement as set forth in the Stipulation is preliminarily approved for the purpose of sending Notice to the Class.

2. A hearing (the "Settlement Fairness Hearing") pursuant to Fed. R. Civ. P. 23(e) is hereby scheduled to be held before the Court on _____, 2002, at _____ __. M. for the following purposes:

(l) to determine whether the proposed Settlement is fair, reasonable, adequate and in the best interests of the Class and should be approved by the Court;

(2) to determine whether the Order and Final Judgment as provided under the Stipulation should be entered, dismissing the Complaint filed herein, on the merits and with prejudice as to the Defendants;

(3) to determine whether the proposed Plan of Allocation for the proceeds of the Settlement is fair and reasonable, and in the best interests of the Class and should be approved by the Court;

(4) to consider Plaintiffs' counsel's application for an award of Attorneys' Fees and Expenses; and

(5) to rule upon such other matters as the Court may deem appropriate.

3. The Court approves the form, substance and requirements of the Notice of Proposed Settlement, Settlement Fairness Hearing and Right to Share in Settlement Fund (the "Notice") and the Proof of Claim form annexed hereto as Exhibits 1 and 2, respectively.

4. Plaintiffs' Co-Lead Counsel shall cause the Notice and Proof of Claim, substantially in the form annexed hereto, to be mailed, by first class mail, postage prepaid, no

later than 20 days from the date of entry of this Order, to all Class Members who have been identified with reasonable effort by Plaintiffs' Co-Lead Counsel in connection with the prior mailing and publication of the Notice of Pendency of Class Action. If necessary, Defendant Pediatrix Medical Group, Inc. shall cooperate in making its books, records and information available to Plaintiffs' Co-Lead Counsel or their agent for the purpose of identifying and giving notice to the Class. Plaintiffs' Co-Lead Counsel shall use reasonable efforts to give notice to nominee owners such as brokerage firms and other persons or entities who purchased Pediatrix common stock during the Class Period as record owners but not as beneficial owners. Such nominee purchasers are directed, within ten (10) business days of receipt of the Notice and Proof of Claim, to either: (a) provide the Claims Administrator with lists of the names and addresses of the beneficial owners, and the Claims Administrator is ordered to send the Notice and Proof of Claim promptly to such beneficial owners, or (b) request additional copies of the Notice and Proof of Claim form and, within seven (7) days of receipt of those copies, mail the Notice and Proof of Claim form directly to the beneficial owners. Additional copies of the Notice and Proof of Claim shall be made available free of charge to any record holder requesting such for the purpose of distribution to beneficial owners, and such record holders shall be reimbursed from the Settlement Fund, upon receipt by Plaintiffs' Co-Lead Counsel of proper documentation, for the reasonable expense actually incurred in sending the Notice and Proof of Claim to beneficial owners. If any nominee purchaser chooses to follow alternative procedure (b), such nominee shall, upon such mailing, send a statement to the Claims Administrator confirming that the mailing was made as directed. Plaintiffs' Co-Lead Counsel shall, at or before the Settlement Fairness Hearing, file with the Court proof of mailing of the Notice and Proof of Claim.

5. The Court approves the form of Publication Notice of the proposed Settlement and Settlement Fairness Hearing in substantially the form and content annexed hereto as Exhibit 3 and directs that Plaintiffs' Co-Lead Counsel shall cause the Publication Notice to be published once in the BUSINESS WIRE and in INVESTORS BUSINESS DAILY within ten (10) days of the mailing of the Notice. Plaintiffs' Co-Lead Counsel shall, at or before the Settlement Fairness Hearing, file with the Court proof of publication of the Publication Notice.

6. The form and method set forth herein of notifying the Class of the Settlement and its terms and conditions meet the requirements of Rule 23 of the Federal Rule of Civil Procedure, Section 21D(a)(7) of the Exchange Act, 15 U.S.C. ss. 78u-4(1)(7) as amended by the Private Securities Litigation Reform Act of 1995, and due process, constitute the best notice practicable under the circumstances, and shall constitute due and sufficient notice to all persons and entities entitled thereto.

7. In order to be entitled to participate in the distribution of the Net Settlement Fund, in the event the Settlement is effected in accordance with all of the terms and conditions thereof, each Class member shall take the following actions and be subject to the following conditions:

(1) A properly executed Proof of Claim (the "Proof of Claim"), substantially in the form attached hereto as Exhibit 2, must be submitted to the Claims Administrator, at the Post Office box indicated in the Notice, not later than June 3, 2002. Such deadline may be further extended by Court Order. Each Proof of Claim shall be deemed to have been submitted when postmarked (if properly addressed and mailed by first class mail, postage prepaid) provided such Proof of Claim is actually received no later than thirty (30) days after the final date for submission of Proofs of Claim.

Any Proof of Claim submitted in any other manner shall be deemed to have been submitted when it was actually received at the address designated in the Notice.

(2) The Proof of Claim filed by each Class Member must satisfy the following conditions: (i) it must be properly filled out, signed and submitted in a timely manner in accordance with the provisions of the preceding subparagraph; (ii) it must be accompanied by adequate supporting documentation for the transactions reported therein, in the form of broker confirmation slips, broker account statements, an authorized statement from the broker containing the transactional information found in a broker confirmation slip, or such other documentation as is deemed adequate by Plaintiffs' Co-Lead Counsel; (iii) if the person executing the Proof of Claim is acting in a representative capacity, a certification of his current authority to act on behalf of the Class Member must be included in the Proof of Claim; and (iv) the Proof of Claim must be complete and contain no material deletions or modifications of any of the printed matter contained therein and must be signed under penalty of perjury.

(3) As part of the Proof of Claim, each Class Member shall submit to the jurisdiction of the Court with respect to the claim submitted, and shall (subject to effectuation of the Settlement) release all claims as provided in the Stipulation.

8. Class Members shall be bound by all determinations and judgments in this Action, whether favorable or unfavorable, unless such persons have requested exclusion from the

Class in a timely and proper manner, as provided in the Notice of Pendency of Class Action previously sent to Class Members.

9. Class Members who have requested exclusion from the Class pursuant to the Notice of Pendency of Class Action shall not be entitled to receive any payment out of the Net Settlement Fund as described in the Stipulation and Notice.

10. All Class Members may enter appearances in the Action, at their own expense, individually or through counsel of their own choice. If they do not enter an appearance, they will continue to be represented by Plaintiffs' Co-Lead Counsel, Michael I. Pucillo, Esq., Berman DeValerio Pease Tabacco Burt & Pucillo, Northbridge Centre, Suite 1701, 515 N. Flagler Drive, West Palm Beach, FL 33401 and John P. Coffey, Esq., Bernstein Litowitz Berger & Grossmann LLP, 1285 Avenue of the Americas, 33rd Floor, New York, New York 10019.

11. The Court will consider comments and/or objections to the Settlement, the Plan of Allocation, or the application for an award of attorneys' fees and reimbursement of expenses only if such comments or objections and any supporting papers are filed in writing with the Clerk of the Court, United States District Court, 299 East Broward Boulevard, Fort Lauderdale, Florida 33301, and copies of all such papers are received, no later than fourteen (14) days prior to the Settlement Fairness Hearing, by the following: Michael J. Pucillo, Esq., Berman DeValerio Pease Tabacco Burt & Pucillo, 515 N. Flagler Drive, Suite 1701, West Palm Beach, Florida 33401; and John P. Coffey, Esq., Bernstein Litowitz Berger & Grossmann LLP, 1285 Avenue of the Americas, 33rd Floor, New York, New York 10019, on behalf of Plaintiffs; and Robert F. Wise, Jr., Esq., Davis Polk & Wardwell, 450 Lexington Avenue, New York, NY 10017 and Barry Rodney Davidson, Esq., Hunton & Williams, 1111 Brickell Avenue, Suite 2500, Miami, FL 33131-3136 on behalf of the Defendants. Attendance at the hearing is not necessary;

however, persons wishing to be heard orally in opposition to the approval of the Settlement, the Plan of Allocation, and/or the application for attorneys' fees and reimbursement of expenses are required to indicate in their written objection their intention to appear at the hearing. Persons who intend to object to the Settlement, the Plan of Allocation, and/or counsel's application for an award of attorneys' fees and expenses and desire to present evidence at the Settlement Fairness Hearing must include in their written objections the identity of witnesses they may call to testify and exhibits they intend to introduce into evidence at the Settlement Fairness Hearing. Any member of the Class who does not object in this manner shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness or adequacy of the proposed Settlement, to any Final Judgment that may be entered, to the Fee and Expense Award to Plaintiffs' Co-Lead Counsel, and to the Plan of Allocation. Class Members do not need to appear at the hearing or take any other action to indicate their approval.

12. Only Class Members shall have any rights with respect to approval of or objection to the Settlement, the Plan of Allocation or Plaintiffs' Co-Lead Counsel's request for Attorneys' Fees and Expenses. Any Class Member wishing to preserve appellate rights with respect to the Settlement or the Fee and Expense Award to Plaintiffs' Counsel must timely intervene as a party under Rule 24 of the Federal Rules of Civil Procedure.

13. To assist the Court in preparing for the Settlement Fairness Hearing, counsel may submit, no later than twenty-one (21) days prior to the Settlement Fairness Hearing, all briefs, affidavits or other documents related to the findings that this Court is required to make. Counsel may submit papers in response to any objections that may be filed no later than seven (7) days prior to the Settlement Fairness Hearing.

14. Pending final determination of whether the Settlement should be approved, the Plaintiffs, all other Class Members, and each of them, and anyone who acts or purports to act on their behalf, shall not institute, commence or prosecute any action which asserts Released and Settled Claims against any Released Party.

15. The Court reserves the right to adjourn or continue the date of the Settlement Fairness Hearing with or without further notice to the Class. However, if any Class Members indicate the intention to appear at the Settlement Fairness Hearing in accordance with the provisions of paragraph 11 above, Plaintiffs' Co-Lead Counsel are ordered to provide such persons with notice of the adjourned date(s). The Court further reserves the right to enter its Order and Final Judgment approving the Stipulation and dismissing the Complaint on the merits and with prejudice as to the Defendants regardless of whether it has approved the Plan of Allocation or awarded attorneys' fees and expenses.

16. If the Settlement is disapproved, or terminated in accordance with the terms of the Stipulation, the Stipulation shall be null and void, of no further force or effect, and without prejudice to any party, and may not be introduced as evidence or referred to in any actions or proceedings by any person or entity, and each party shall be restored to his, her or its respective position as it existed prior to the execution of the Memorandum of Understanding and Stipulation.

17. In the event the Settlement is disapproved or terminated in accordance with the terms of the Stipulation, the Escrow Agent(s) shall, within ten days of notice of disapproval or termination, refund the Settlement Fund, plus all accrued interest thereon to the Defendants and their insurer in proportion to their relative contributions, except for any Taxes due, Notice and administration expenses up to $100,000.00 incurred in issuing notice to the Class.

18. The Court retains exclusive jurisdiction over the Action to consider all further matters arising out of or connected with the Settlement.

DONE AND ORDERED in Chambers at Fort Lauderdale, Broward County, Florida, this _____ day of _____, 2002.

THE HONORABLE JOSE A. GONZALEZ, JR.
UNITED STATES DISTRICT JUDGE

Copies furnished to all counsel on the attached Service List

EXHIBIT 1

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 99-6181-CIV-GONZALEZ

SANDS POINT PARTNERS, L.P., et al., on behalf of themselves and all others similarly situated,

Plaintiffs,

-against-

PEDIATRIX MEDICAL GROUP, INC., ROGER J. MEDEL, KARL B. WAGNER and LAWRENCE M. MULLEN

Defendants.

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NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION, SETTLEMENT FAIRNESS HEARING, AND RIGHT TO SHARE IN SETTLEMENT FUND

TO: ALL PERSONS AND ENTITIES ("THE CLASS") WHO PURCHASED COMMON STOCK OR CALL OPTIONS, OR SOLD PUT OPTIONS OF PEDIATRIX MEDICAL GROUP, INC. BETWEEN MARCH 31,1997 AND APRIL 2,1999, INCLUSIVE (THE "CLASS PERIOD")

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED BY PROCEEDINGS IN THIS LITIGATION. IF YOU ARE A CLASS MEMBER, YOU ULTIMATELY MAY BE ENTITLED TO RECEIVE BENEFITS PURSUANT TO THE PROPOSED SETTLEMENT DESCRIBED HEREIN.

CLAIMS DEADLINE: CLAIMANTS MUST SUBMIT PROOFS OF CLAIM ON THE FORM ACCOMPANYING THIS NOTICE, POST MARKED ON OR BEFORE _____, 2002.

NOTICE IS HEREBY GIVEN, pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Southern District of Florida (the "Court") dated _____, 2002, that a hearing will be held before the Honorable Jose A. Gonzalez, Jr. in the United States District Courthouse, 299 East Broward Boulevard, Fort Lauderdale, Florida 33301, at _____, on _____, 2002 (the "Settlement

Hearing") to determine whether a proposed settlement (the "Settlement") of the above-captioned litigation (the "Action") as set forth in the Stipulation and Agreement of Settlement dated as of _____, 2002 (the "Stipulation"), is fair, reasonable and adequate and to consider the application of Plaintiffs' counsel for attorneys' fees and reimbursement of expenses.

I. SUMMARY OF SETTLEMENT AND RELATED MATTERS

A. STATEMENT OF PLAINTIFFS' RECOVERY:

Pursuant to the Settlement described herein, a Settlement Fund consisting of $12 million in cash plus interest has been established. Assuming that all affected shares elected to participate in the Settlement, the average recovery under the Settlement per damaged share of Pediatrix common stock is estimated by Plaintiffs' damages expert at approximately $1.38 per share before deduction of Court-awarded attorneys' fees and expenses and the costs of administering this Settlement.1 Depending upon the number of claims filed, an individual Class member will receive more or less than this average amount. A Class member's distribution of the Settlement Fund will be governed by a Plan of Allocation, as approved by the Court. A detailed explanation of the Plan of Allocation appears in Section V of this Notice.

B. STATEMENT OF POTENTIAL OUTCOME OF THE LITIGATION.

The parties disagree as to both liability and damages. They do not agree on the average amount of damages per share that would be recoverable if Plaintiffs were to have prevailed on each claim alleged. The issues on which the parties disagree include, among other things: (i) whether the statements made were false or misleading or were material or otherwise actionable under the federal securities laws; (ii) the extent to which the various matters that Plaintiffs allege were materially false or misleading influenced (if at all) the trading price of Pediatrix common stock and call and put options during the Class Period; and (iii) the amount by which Pediatrix common stock and call options and put option were so influenced (if at all) during the Class Period. The Defendants deny that they are liable to Plaintiffs or the Class and deny Plaintiffs or the other members of the Class have suffered any damages as the result of the alleged wrongdoing. Plaintiffs believe the proof at trial would show that Pediatrix's shares were consistently artificially inflated by approximately $10.34 throughout the Class Period. Defendants disagree and assert that there is no causal link between the losses in Pediatrix stock values and any violations of the federal securities laws. In addition, the Defendants would have argued at trial that the decrease in the share price experienced by Pediatrix was attributable to other factors including a general industry decline and market forces, and that damages would be, at most, $1.93 per share. In this Action, as in any action, Plaintiffs' Co-Lead Counsel recognized that there was a substantial risk that Plaintiffs and the Class might not have prevailed on any of their claims and contentions or would have only prevailed on some of their claims and therefore, would have recovered nothing or substantially less than the maximum amount. Plaintiffs' Co-Lead Counsel believe that the proposed Settlement is in the best interests of the Plaintiffs and the Class.

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1 No estimate is included with respect to the average recovery per call options and put option due to the variety of call options and put options and the difficulty in obtaining trading records for options.

C. STATEMENT OF ATTORNEYS' FEES AND COSTS SOUGHT.

Plaintiffs' counsel have not received any payment for their services in conducting this Action on behalf of Plaintiffs and the other members of the Class, nor have they been reimbursed for their out-of-pocket expenditures. If the Settlement is approved by the Court, Plaintiffs' counsel intend to apply for fees of up to 30% of the Settlement Fund or approximately $0.41 per damaged share, and for reimbursement of expenses incurred in connection with the prosecution of this Action not to exceed $_____, or approximately $_____ per damaged share.

D. THE REASONS FOR SETTLEMENT.

Plaintiffs believe that the proposed settlement is fair, reasonable and adequate and is in the best interests of the Class considering the amount of the Settlement and the immediacy of recovery to the Class. At the time this Settlement was reached, the parties were close to trial. All discovery on the facts, including depositions, exchange of documents, and interrogatory responses, had been completed, and the parties had exchanged reports by their experts as to the propriety of Pediatrix's coding practices, which revealed that the trial would involve difficult questions regarding intent, interpretation of coding standards and a battle of experts. The amount of damages sustained by the class, if any, would also have been a contested issue at trial. Plaintiffs estimated that each Pediatrix share purchased during the Class Period was damaged by $10.34, while the Defendants vigorously denied that there were any damages caused by the Defendants, but that any provable damages would have been, at most, $1.93 per share.

Accordingly, Plaintiffs' decision to enter into the Settlement was made with extensive knowledge of the facts and circumstances underlying Plaintiffs' claims and the strengths and weaknesses of those claims. In determining to settle the Action, Plaintiffs and Plaintiffs' Co-Lead Counsel have evaluated the extensive discovery taken in the litigation and taken into account the substantial expense and length of time necessary to prosecute the litigation through trial, post-trial motions and likely appeals, taking into consideration the significant uncertainties in predicting the outcome of this complex litigation. Plaintiffs' counsel submit that the Settlement described herein confers very substantial benefits upon the Class. Based upon their consideration of all of these factors, Lead Plaintiffs and their counsel have concluded that it is in the best interest of Plaintiffs and the Class to settle the Action on the terms described herein.

E. IDENTIFICATION OF PLAINTIFFS' LAWYERS.

Further information regarding the Action and this Notice may be obtained by contacting Co-Lead counsel for Plaintiffs and the Class:

Michael J. Pucillo, Esq.
Wendy H. Zoberman, Esq.
Berman DeValerio Pease
Tabacco Burt & Pucillo
515 N. Flagler Dr., Suite 1701
West Palm Beach, FL 33401
(561) 835-9400

John P. Coffey, Esq.
Rochelle Feder Hansen, Esq.
Bernstein Litowitz Berger
& Grossmann LLP
1285 Avenue of the Americas
New York, NY 10019
(212) 554-1400

II. BACKGROUND OF THE ACTION

A. As previously detailed in the Notice of Pendency of Class Action, this Action commenced on or about February 16, 1999 with the filing of a number of class action complaints concerning the publicly traded securities of Pediatrix (the "Pediatrix Class Actions"). The Pediatrix Class Actions alleged violations of sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), and Rule l0b-5 promulgated thereunder. By Order dated July 6, 1999, Florida State Board of Administration, Louisiana State Employees' Retirement System, New Orleans Employees' Retirement System, and Jacksonville Police & Fire Pension Fund were designated as Lead Plaintiffs pursuant to Section 21D(a)(3)(B) of the Exchange Act (as amended)2 and the law firms of Burt & Pucillo, LLP and Bernstein Litowitz Berger & Grossmann LLP were appointed Co-Lead Counsel for Plaintiffs and the Class.3

B. The operative allegations in the Action are contained in the Second Amended Consolidated Class Action Complaint (the "Complaint"), filed in the Action on or about February 3, 2000. In sum, the Complaint alleges, among other things, that during the Class Period Pediatrix, a provider of physician services to hospital-based neonatal and pediatric intensive care units, engaged in unlawful billing practices, including billing for a higher and more costly level of care than was called for given a patient baby's medical condition, which practices caused Pediatrix's reported revenues, earnings and accounts receivable for that period to be overstated thereby artificially inflating the price of Pediatrix common stock, and that those practices were contrary to the Company's affirmative public statements regarding its billing practices.

C. The Complaint further alleges that the market learned of Pediatrix's allegedly improper billing practices on April 5, 1999 when Pediatrix announced that government officials in Arizona and Colorado were seeking billing-related documents from the Company. The Complaint also alleges that shortly thereafter it was disclosed that the investigations being conducted by Arizona and Colorado, as well as another investigation being conducted by Florida, were focused on issues of Medicaid fraud. It is also alleged that the inquiries into Pediatrix's billing practices had a negative impact on Pediatrix's financial results, resulting in lower revenues and earnings for the quarters following the April 5, 1999 disclosure.

D. In the Complaint, Lead Plaintiffs sought monetary damages on behalf of themselves and all other members of the Class. The amount of monetary damages, if any, awardable to the Class would have been determined at trial.

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2 On or about October 16, 2001, with the agreement of Defendants, Jacksonville Police & Fire Pension Fund moved to withdraw as a Lead Plaintiff in the Action, which motion was granted on or about October 29, 2001.

3 Effective July 1, 2001, the firms of Berman DeValerio & Pease, LLP, Berman DeValerio Pease & Tabacco, P.C., and Burt & Pucillo, LLP merged their practices. The combined firm is now known as Berman DeValerio Pease Tabacco Burt & Pucillo.

E. On or about June 6, 2000, the Court denied Defendants' motion to dismiss the Complaint. On or about June 26, 2000, the Defendants' Answer was filed denying the substantive allegations of wrongdoing in the Complaint, denying that Plaintiffs have stated a cause of action against the Defendants, and denying that the Lead Plaintiffs and other members of the Class were damaged.

F. The parties thereafter commenced fact discovery. Throughout the second half of the year 2000 and most of 2001, the parties engaged in extensive discovery. Over 200,000 pages of documents were reviewed and over twenty-five depositions were taken. The parties concluded fact discovery and virtually all expert discovery. Various discovery motions, a motion for summary judgment and motions in limine were filed, briefed and ruled upon by the Court.

G. On November 6, 2000, the Court, pursuant to Fed. R. Civ. P. 23(a) and (b)(3), entered an Order (the "Class Order") certifying a class consisting of:

> All persons who purchased Pediatrix Medical Group, Inc. ("Pediatrix") common stock, purchased Pediatrix call options, or sold Pediatrix put options between March 31, 1997 and April 2, 1999, inclusive. Excluded from the Class are Pediatrix, its subsidiaries and affiliates, the Individual Defendants, members of the immediate families of each of the Individual Defendants, and any entities in which any of the Defendants has a controlling interest, and the legal representatives, heirs, successors, affiliates or assigns of any of the foregoing excluded persons and entities.

Notice of Pendency of Class Action (the "Notice of Pendency") was mailed to all Class members who could be identified commencing on June 26, 2001 and was published over the BUSINESS WIRE and in INVESTORS BUSINESS DAILY on July 10, 2001. Any putative Class member who wished to be excluded from the Class was required to file an exclusion request postmarked on or before August 27, 2001. Any Class member who filed a request for exclusion in accordance with the requirements set forth in the Notice of Pendency shall be excluded and shall not participate in the Settlement. All other Class members will be bound by the terms of the Settlement.

H. A Joint Pretrial Stipulation was filed on or about September 1, 2001, a pretrial conference was held with the Court on November 19, 2001 and trial of this action was scheduled to commence on January 14, 2002.

III. BACKGROUND OF THE SETTLEMENT

The proposed Settlement described herein is the product of extensive arm's-length negotiations between the parties and two mediation sessions with an independent professional mediator for which Plaintiffs and Defendants each conducted an in-depth analysis of their respective positions which were set forth in their mediation statements prepared for the mediation. This Settlement was reached one month prior to the scheduled start of the trial of this Action.

As a result of their extensive discovery efforts, Plaintiffs' counsel had a thorough understanding of the facts at issue in the Action. Among other things, Plaintiffs' counsel contended that they could prove that Defendants' unlawful billing practices during the years 1996 through 1998 caused Pediatrix's reported revenues, earnings and accounts receivable for those three years to be overstated and thereby artificially inflated the price of Pediatrix common stock. They also contended that they could show that those practices were contrary to the Company's affirmative public statements regarding its billing practices, and that throughout the Class Period Defendants caused Pediatrix to report impressive financial results while failing to reveal the true reason for the Company's strong financial performance -- its improper billing practices. Plaintiffs also believe that they could establish Defendants' SCIENTER in that Pediatrix's policies, practices and directives regarding its billing practices came directly from senior management and that, notwithstanding the fact that senior management was on notice that billing practices were improper, these practices continued until Pediatrix came under scrutiny for its billing practices in early 1999. With respect to causation and damages, Plaintiffs believe they could show that had Pediatrix properly coded and billed for the services its doctors rendered, its common stock would have traded at materially lower prices during the Class Period, and that, but for Defendants' billing fraud, there would have been no basis for an investigation by the various states, the revelation of which sent Pediatrix's stock into decline. Plaintiffs were prepared to submit expert testimony as to damages attributable to the improper billing practices alleged.

For their part, the Defendants contended that they had good defenses to both the liability and damages aspects of the Plaintiffs' claims. The Defendants intended to show that the Company's prior public filings had included an express risk disclosure that it was in a highly regulated business, that it was subject to audit and investigation, and that if that occurred, it could have a material adverse impact on the Company's financial condition. Defendants also intended to show that it is not a violation of the federal securities laws to misinterpret or misapply reimbursement codes in its billing, that Pediatrix never misstated its financial results and has never been required to restate its financial information, and that the interpretation of the codes upon which its billings were based were made in good faith and supportable based on the language in the codes as published. With respect to SCIENTER, Defendants contended that their actions were inconsistent with any intent to defraud investors in that during the Class Period there were no insider sales and the Company did not use its stock to make acquisitions. With respect to causation and damages, Defendants intended to show that most of the stock price decline occurred in February 1999 before any mention of coding issues or billing practices, that the price drop in April 1999 upon the announcement of the State inquiries was not causally related to Plaintiffs' allegations of improper coding and that, because of the complexity of the overall billing formula and reimbursement schedules, even if it were found that Pediatrix had used improper codes, the impact on revenues and earnings, and therefore the materiality of such damages for investors, would be virtually impossible to determine with any degree of reasonable certainty.

By the time this Settlement was reached, the parties were close to trial. All discovery of the facts, including depositions, exchange of documents, and interrogatory responses, had been completed, and the parties had exchanged reports by their experts as to the propriety and financial impact of the allegedly wrongful practices, which revealed that the trial would involve a battle of experts and difficult questions regarding intent, and interpretation of coding standards.

Causation, and the amount of damages sustained by the Class, if any, would also have been hotly contested issues at trial.

Accordingly, the decision to enter into this Settlement was made with extensive knowledge of the facts and circumstances underlying Plaintiffs' claims and the strengths and weaknesses of those claims. In determining to settle the Action, Plaintiffs' Co-Lead Counsel have evaluated the discovery undertaken in the litigation, potential recoverable damages, and taken into account the substantial expense and length of time necessary, to prosecute the litigation through trial, post-trial motions and likely appeals, taking into consideration the significant uncertainties in predicting the outcome of this complex litigation. Plaintiffs' counsel believe that the Settlement described herein confers substantial benefits upon the Class. Based upon their consideration of all of these factors, the Lead Plaintiffs, three sophisticated institutional investors, and their counsel have concluded that it is in the best interest of Plaintiffs and the Class to settle the action on the terms described herein.

Recognizing the uncertainty and the risk of the outcome of any litigation, especially complex litigation such as this, and the difficulties and risks inherent in the trial of such an action, Plaintiffs desire to settle the claims of the Class against Defendants on the terms and conditions described herein which provide substantial benefits to the Class. Co-Lead counsel for Plaintiffs and the Class deem such Settlement to be fair, reasonable and adequate to, and in the best interests of, the members of the Class.

The Defendants have denied all averments of wrongdoing or liability in the Litigation and all other accusations of wrongdoing or violations of law. The Stipulation is not and shall not be construed or be deemed to be evidence or an admission or a concession on the part of any of the Defendants of any fault or liability or damages whatsoever, and the Defendants do not concede any infirmity in the defenses which they have asserted or intended to assert in the Action. The Defendants, while continuing to deny all allegations of wrongdoing or liability whatsoever, desire to settle and terminate all existing or potential claims against them, without in any way acknowledging any fault or liability.

The amount of damages, if any, which Plaintiffs could prove was a matter of serious dispute, and the Settlement's use of a Recognized Claim formula for distributing the Settlement proceeds does not constitute a finding, admission or concession that provable damages could be measured by the Recognized Claim formula. No determination has been made by the Court as to liability or the amount, if any, of damages suffered by the Class, nor on the proper measure of any such damages. The determination of damages, like the determination of liability, is a complicated and uncertain process, typically involving conflicting expert opinions. The Settlement herein is providing an immediate and substantial cash benefit and avoids the risks that liability or damages might not have been proven at trial.

THE COURT HAS NOT FINALLY DETERMINED THE MERITS OF THE PLAINTIFFS' CLAIMS OR THE DEFENSES THERETO. THIS NOTICE DOES NOT IMPLY THAT THERE HAS BEEN OR WOULD BE ANY FINDING OF A VIOLATION OF THE LAW OR THAT RECOVERY COULD BE HAD IN ANY AMOUNT IF THE ACTION WERE NOT SETTLED.

IV. TERMS OF THE SETTLEMENT

1. In full and complete settlement of the claims which have or could have been or could be asserted in this Action, and subject to the terms and conditions of the Stipulation, Defendants have deposited or caused to be deposited into an escrow account for the benefit of Plaintiffs and the Class $12,000,000 which has been earning interest for the benefit of the Class since _____, 2002.

2. Pursuant to the Settlement, and on the Effective Date, Plaintiffs and the members of the Class on behalf of themselves, their heirs, executors, administrators, successors and assigns, and any persons they represent, release and forever discharge and shall forever be enjoined from prosecuting the Released and Settled Claims (defined below) against any of the Released Parties (defined below).

3. "Released and Settled Claims" means any and all claims, rights or causes of action or liabilities whatsoever, whether based on federal, state, local statutory or common law or any law, rule or regulation, including both known and Unknown Claims, that have been or could have been or could be asserted in any form by Plaintiffs or any of the other Class Members against any of the Released Parties which arise out of or relate in any way to the following during the Class Period: (1) the purchase of Pediatrix common stock; the purchase of Pediatrix Call Options; or the sale of Pediatrix Put Options; and (2) the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth or referred to in the Complaint.

4. "Released Parties" means Pediatrix, the Individual Defendants, and each of their past or present subsidiaries, parents, successors, predecessors, insurers, reinsurers, officers, directors, shareholders, employees, agents, advisors, investment advisors, attorneys, auditors, accountants, heirs, beneficiaries, and any person, firm, trust, corporation, officer, director or other individual or entity in which any Defendant has a controlling interest or which is related to or affiliated with any of the Defendants and the legal representatives, heirs, successors in interest or assigns of the Defendants.

5. If the Settlement is approved by the Court, all claims which have or could have been or could be asserted in the Action against any of the Released Parties will be dismissed with prejudice as to all Class Members, and all Class Members shall be forever barred from prosecuting a class action or any other action arising out of wrongs which have been or could have been or could be alleged in this Action against any Released Party. The Settlement will become effective at such time as Orders entered by the Court approving the Settlement shall become final and not subject to appeal (the "Effective Date").

6. Pursuant to the Settlement, and on the Effective Date, Pediatrix and each Individual Defendant, on behalf of himself, his executor, administrator and the Released Parties, shall release and forever discharge each and every of the Released and Settled Defendant's Claims, and shall forever be enjoined from prosecuting any Released and Settled Defendant's Claims.

7. "Release and Settled Defendant's Claims," means any and all claims, rights or causes of action or liabilities whatsoever, whether based on federal, state, local, statutory or common law or any other law, rule or regulation, including both known and Unknown Claims that have been or could be asserted in any form by Pediatrix and the Individual Defendants, the Released Parties or any of them or the successors and assigns of any of them against any of the Plaintiffs, the Jacksonville Police & Fire Pension Fund, other Class Members or their attorneys, which arise out of or relate in any way to the institution or prosecution of the Action.

8. Upon approval of the Settlement by the Court and upon satisfaction of the other conditions to the Settlement, the Settlement Fund will be distributed as follows: (A) to pay costs and expenses in connection with providing Notice to the members of the Class and administering the Settlement on behalf of the Class; (B) to pay Plaintiffs' counsels' attorneys fees and reimbursement of expenses, with interest thereon (the "Fee and Expense Award"), if and to the extent allowed by the Court; (C) to pay the reasonable costs incurred in the preparation of any tax returns required to be filed on behalf of the Settlement Fund as well as the taxes (and any interest and penalties determined to be due thereon) owed by reason of the earnings of the Settlement Fund; and (D) subject to the approval by the Court of the Plan of Allocation, which is set forth below, the balance of the Settlement Fund (the "Net Settlement Fund"), shall be distributed in accordance with the Plan of Allocation to Class Members who submit valid, timely Proofs of Claim ("Authorized Claimants"). Approval of the Settlement is independent from approval of the Plan of Allocation. Any determination with respect to the Plan of Allocation will not affect the Settlement, if approved. Payment from the Settlement Fund made pursuant to and in conformity with the Plan of Allocation, in the event of Court approval, shall be final and conclusive.

V. ALLOCATION OF SETTLEMENT PROCEEDS AMONG CLASS MEMBERS

1. The Net Settlement Fund shall be distributed pursuant to the following Plan of Allocation to Authorized Claimants who file timely, acceptable Proofs of Claim.

2. Each Authorized Claimant shall be allocated a pro-rata share of the Net Settlement Fund based on his, her or its "Recognized Claim" compared to the total Recognized Claims of all Authorized Claimants. THE RECOGNIZED CLAIM IS NOT THE AMOUNT OF YOUR RECOVERY. YOUR ACTUAL RECOVERY WILL BE LESS.

3. COMMON STOCK

a. With respect to SHARES OF PEDIATRIX COMMON STOCK purchased on the open market during the Class Period, WHICH AN AUTHORIZED CLAIMANT CONTINUED TO HOLD AS OF APRIL 2, 1999 (the end of the Class Period), an Authorized Claimant's Recognized Claim shall be $10.34, which represents the amount of artificial inflation in Pediatrix common stock as determined by Plaintiffs' damages expert, times the number of shares held.

b. With respect to shares of common stock of Pediatrix purchased and then sold during the Class Period, the "Recognized Claim" shall be $0 since the artificial inflation on the date of purchase was the same as the artificial

inflation on the date of sale, meaning that any decline in the value of the stock was attributable to something other than the alleged fraud.

4. CALL OPTIONS

a. With respect to CALL OPTIONS TO PURCHASE SHARES OF PEDIATRIX COMMON STOCK purchased during the Class Period, an Authorized Claimant's "Recognized Claim" shall mean the amount determined in accordance with the following: for each Call Option on Pediatrix common stock purchased on the open market during the Class Period WHICH AN AUTHORIZED CLAIMANT CONTINUED TO HOLD AS AN OPEN AND UNEXPIRED OPTION AS OF APRIL 2, 1999 (the end of the Class Period), the Recognized Claim shall be equal to 50%4 of the price paid (excluding commissions, etc.) for the Call Option(s) less the amount (if any) that the Call Option was "in the money" as of the close of trading on April 5, 1999 (the first day of trading after the end of the Class Period) times the number of shares covered by such Call Option(s).

b. If a Call Option was exercised during the Class Period to purchase Pediatrix common stock, the "Recognized Claim" from such transaction shall be calculated as a purchase of Pediatrix common stock and the Authorized Claimant will have no "Recognized Claim" with respect to the purchase of the option. The date of the exercise of the option is the "Purchase" date.

c. No Recognized Claim shall be allowed with respect to Call Option(s) purchased during the Class Period to cover Call Option(s) previously sold or written by a claimant.

d. With respect to Call Option(s) purchased and then sold during the Class Period, the "Recognized Claim" shall be $0 since the artificial inflation on the date of purchase was the same as the artificial inflation on the date of sale, meaning that any decline in the value of the option was attributable to something other than the alleged fraud.

e. No Recognized Claim shall be allowed with respect to call option(s) which were purchased and then expired during the Class Period..

5. PUT OPTIONS

a. With respect to PUT OPTIONS TO SELL SHARES OF PEDIATRIX COMMON STOCK sold during the Class Period, an Authorized Claimant's "Recognized Claim" shall mean the amount determined in accordance with the following: for each Put Option on Pediatrix common stock sold on the open market

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4 The Recognized Claim for Call Options is discounted to reflect the fact that part of the purchase price paid for a Call Option is a time premium which is a wasting asset which is essentially unrelated to the alleged inflation.

during the Class Period WHICH REMAINED AS AN OPEN AND UNEXPIRED OPTION AS OF APRIL 2, 1999 (the end of the Class Period), the Recognized Claim shall be equal to 50%5 of the amount, if any, that the Put Option was "in the money" as of the close of trading on April 5, 1999 (the first day of trading after the end of the Class Period), less the price received (excluding commissions, etc.) for the Put Option(s) times the number of shares covered by such Put Option(s).

b. If a Put Option was assigned during the Class Period and shares of Pediatrix common stock were purchased, the Recognized Claim from such a transaction shall be calculated as a purchase of Pediatrix common stock and the Authorized Claimant will have no "Recognized Claim" with respect to the sale of the option. The date of the assignment of the Put Option is the "Purchase" date.

c. No Recognized Claim shall be allowed with respect to Put Option(s) sold or written during the Class Period to cover Put Option(s) previously purchased by a claimant.

d. With respect to Put Option(s) sold and then covered during the Class Period, the "Recognized Claim" shall be $0 since the artificial inflation on the date of the sale was the same as the artificial inflation on the date of the cover, meaning that any decline in the value of the option was attributable to something other than the alleged fraud.

e. No Recognized Claim shall be allowed with respect to Put Option(s) which were sold and then expired during the Class Period.

6. Note that $10.34 is the consistent amount of inflation calculated by Plaintiffs' counsel's expert for Pediatrix common stock during the Class Period. Neither $10.34 nor the Recognized Claim amount described herein is the amount you will recover. The Recognized Claim is an amount that is used in determining the pro-rata amount of the Settlement Fund you will recover. YOUR ACTUAL RECOVERY WILL BE LESS THAN YOUR RECOGNIZED CLAIM, AND YOUR ACTUAL RECOVERY WILL BE LESS THAN $10.34 PER SHARE.

7. In determining Recognized Claims, brokerage commissions and all other transaction costs shall be excluded from the calculation. Transactions resulting in a gain shall not be included. With respect to Class Members who had multiple purchases of Pediatrix common stock, Recognized Claims shall be determined using the first-in-first-out basis, beginning with shares held as of March 30, 1997.

8. Pediatrix common stock or call options acquired during the Class Period by means of a gift, inheritance or operation of law, are not eligible to share in the Net Settlement

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5 The Recognized Claim for Put Options is discounted to reflect the fact that part of the sale price received for a Put Option is a time premium which is a wasting asset that is essentially unrelated to the alleged inflation.

Fund based on such acquisition unless the transferor or donor on such a transaction would have been entitled to share in the Net Settlement Fund based on his, her or its acquisition. If the transferor or donor submits a claim relating to his, her or its acquisition of such shares or options, then any claim submitted by the transferee or donee with respect to such shares or options will be rejected.

VI. THE RIGHTS OF CLASS MEMBERS

The Court has previously certified this Action to proceed as a class action. Class members have the following rights pursuant to Rule 23(c)(2) of the Federal Rules of Civil Procedure:

(a) Class members may share in the proceeds of the Settlement, provided that you submit an acceptable Proof of Claim, as outlined in Section VII below.

(b) Class members will be represented by the Lead Plaintiffs and their counsel, unless you enter an appearance through counsel of your own choice at your own expense. You are not required to retain your own counsel, but if you do chose to do so, such counsel must file an appearance on your behalf on or before [14 days prior to the Settlement Hearing] _____, 2002, and must serve copies of such an appearance on the attorneys listed in Section XI of this Notice.

(c) Class members may object to the Settlement, the Plan of Allocation or the attorneys' fees and/or expense application. Any Class member may appear in person or by counsel and be heard to the extent allowed by the Court in opposition to the fairness, reasonableness and adequacy of the Settlement, the Plan of Allocation or the application for an award of attorneys' fees and reimbursement of expenses, by following the procedures outlined in Section IX below.

(d) Any Class member wishing to preserve appellate rights with respect to any portion of the Settlement, the Plan of Allocation or application for an award of attorneys' fees and reimbursement of expenses must timely intervene as a party plaintiff pursuant to Rule 24 of the Federal Rules of Civil Procedure to preserve such rights of appeal.

VII. FILING AND PROCESSING OF PROOFS OF CLAIM

IN ORDER TO BE ELIGIBLE TO RECEIVE ANY DISTRIBUTION FROM THE SETTLEMENT FUND, YOU MUST COMPLETE AND SIGN THE ATTACHED PROOF OF CLAIM AND RELEASE FORM AND SEND IT BY PRE-PAID FIRST CLASS MAIL POST-MARKED ON OR BEFORE _____, 2002, ADDRESSED AS FOLLOWS:

Claims Administrator
Pediatrix Medical Group, Inc. Sec. Litig.
c/o The Garden City Group, Inc.
P.O. Box 9269
Garden City, New York 11530-9269

IF YOU DO NOT FILE A PROPER PROOF OF CLAIM FORM, YOU WILL NOT BE ENTITLED TO ANY SHARE OF THE SETTLEMENT FUND.

IF YOU ARE A CLASS MEMBER, YOU WILL BE BOUND BY THE SETTLEMENT AND ORDER AND FINAL JUDGMENT OF THE COURT DISMISSING THIS LITIGATION, EVEN IF YOU DO NOT FILE A PROOF OF CLAIM.

All Proofs of Claim must be submitted by the date specified by this Notice unless such period is extended by Order of the Court.

Each Claimant shall be deemed to have submitted to the jurisdiction of the United States District Court for the Southern District of Florida with respect to his, her or its claim.

VIII. EXCLUSION FROM THE SETTLEMENT

Notice of the pendency of this Action as a class action was given to the members of the Class in June and July, 2001. Class members were notified of their right to exclude themselves by filing a request for exclusion postmarked on or before August 27, 2001. Persons and entities who filed requests for exclusion may not share in this Settlement. Class members may no longer request exclusion at this time.

IX. SETTLEMENT HEARING

At the Settlement Hearing, the Court will determine whether to finally approve this Settlement and Plan of Allocation and dismiss the Action and the claims of the Class. The Settlement Hearing may be adjourned from time-to-time by the Court without further written notice to the Class.

At the Settlement Hearing, any Class member who has not properly filed a request for exclusion from the Class may appear in person or by counsel and be heard to the extent allowed by the Court in opposition to the fairness, reasonableness and adequacy of the Settlement, the Plan of Allocation, or the application for an award of attorneys' fees and reimbursement of expenses, provided, however, that in no event shall any person be heard in opposition to the Settlement, Plan of Allocation, and, or counsels' application for an award of attorneys' fees and reimbursement of expenses and in no event shall any paper or brief submitted by any such person be accepted or considered by the Court, unless, on or before [14 days prior to the Settlement Hearing] such person (a) files with the Clerk of Court notice of such person's intention to appear, together with a statement that indicates the basis for such opposition, along with any documentation in support of such objection, and (b) simultaneously serves copies of such notice, statement and documentation, together with copies of any other papers or briefs such person files with the Court, including the identity of any witnesses to be called and any exhibits to be offered in evidence, in person or by mail upon Plaintiffs' Co-Lead Counsel:

Michael J. Pucillo, Esq.
Wendy H. Zoberman, Esq.
Berman DeValerio Pease
Tabacco Burt & Pucillo
515 N. Flagler Dr., Ste. 1701
West Palm Beach, FL 33401

John P. Coffey, Esq.
Rochelle Feder Hansen, Esq.
Bernstein Litowitz Berger
& Grossmann LLP
1285 Avenue of the Americas
New York, NY 10019

and upon Defendants' counsel:

Barry Rodney Davidson, Esq.
Hunton & Williams
1111 Brickell Avenue
Suite 2500
Miami, FL 33131-3136

Robert F. Wise, Jr., Esq.
Davis Polk & Wardwell
450 Lexington Avenue
New York, NY 10017

Unless otherwise ordered by the Court, any Class Member who does not make his, her or its objection or opposition in the manner provided shall be deemed to have waived such objection.

X. NOTICE TO BANKS, BROKERS OR OTHER NOMINEES

A. If you purchased Pediatrix common stock or call options or sold Pediatrix put options during the Class Period as a nominee for the benefit of another, or were or are holding certificates of Pediatrix stock in your name as nominee for someone who purchased Pediatrix stock during the Class Period, you are directed within 10 business days from receipt of this Notice to either: (a) provide the names and addresses of such persons to the Claims Administrator, c/o Pediatrix Medical Group, Inc. Sec. Litig., The Garden City Group, Inc., P.O. Box 9269, Garden City, New York 11530-9269, Telephone: 1-888-212-5795, in which case the beneficial owner will be sent a copy of the Notice and Proof of Claim Form; or (b) request additional copies of this Notice, which will be provided to you free of charge, and within seven (7) days of receipt of those copies mail the Notice and Proof of Claim Form to the beneficial owners of the securities referred to herein. You may receive reimbursement for your reasonable and actual out-of-pocket disbursements that would not have been made but for this request upon submission of an itemized statement to the Claims Administrator. If you choose to follow alternative procedure (b), the Court has ordered that you must, upon such mailing, send a statement to the Claims Administrator confirming that the mailing was made as directed.

XI. FURTHER INFORMATION

A. The pleadings and other records of the Class Action, may be examined and copied at any time during regular office hours at the Office of the Clerk, United States District Court, Southern District of Florida, 299 East Broward Blvd., Ft. Lauderdale, FL 33301.

B. ALL INQUIRIES CONCERNING THIS NOTICE OR THE PROOF OF CLAIM FORM BY CLASS MEMBERS SHOULD BE MADE TO THE CLAIMS ADMINISTRATOR IN WRITING AT THE ADDRESS LISTED ABOVE OR BY CALLING 1-888-212-5795.

DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF THE CLERK OF THE COURT FOR INFORMATION OR ADVICE.

Dated: _____, 2002

Clerk of the Court
United States District Court
Southern District of Florida

EXHIBIT 2

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 99-6181-CIV-GONZALEZ

SANDS POINT PARTNERS, L.P.,
et al. on behalf of themselves and
all others similarly situated,

Plaintiffs,

vs.

PEDIATRIX MEDICAL GROUP, INC.,
ROGER J. MEDEL, KARL B. WAGNER,
and LAWRENCE M. MULLEN,

Defendants.

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PROOF OF CLAIM AND RELEASE

DEADLINE FOR SUBMISSION: _____, 2002.

INSTRUCTIONS FOR FILING PROOF OF CLAIM

In order for you to qualify to participate in the distribution described in the Notice of Pro-posed Settlement of Class Action, Settlement Fairness Hearing and Right to Share in Settlement Fund (the "Notice"), you must execute and file a Proof of Claim and Release in the form attached hereto and you must provide the required documentation to substantiate your claim. If you fail to timely file a properly addressed (as set forth in P. 4 below) Proof of Claim and Release, your claim may be rejected and you may be precluded from any recovery from the Net Settlement Fund created in connection with the proposed settlement of this class action.

REQUIREMENTS FOR FILING

Your claim will be considered only upon compliance with all of the following conditions:

1. You must accurately complete all portions of the attached Proof of Claim form.

NOTE: The Proof of Claim contains purchase and sale schedules for Pediatrix Medical Group, Inc.'s common stock, and call options and put options on the stock. You must carefully complete these schedules. Do not omit to state any potentially relevant information regarding your purchases and sales of Pediatrix common stock or call options or put options. This information is necessary to determine your share of any distributions. If you cannot list all transactions in the spaces provided in the Proof of Claim form, or if you believe that you must or should supply additional information with respect to any transaction, attach additional sheets to the Proof of Claim supplying the required information. You must be properly identified on each additional sheet of paper. The date of purchase and sale is the "trade" or "contract" date, and not the "settlement" or "payment" date. The purchase price is the price paid excluding commissions or other expenses. The sales price is price received less commissions or other expenses.

2. You must SIGN the Proof of Claim form.

NOTE: If the securities were or are owned jointly, all joint owners must sign the Proof of Claim. Executors, administrators, guardians, conservators and trustees may complete and sign the Proof of Claim on behalf of persons or entities represented by them, but they must identify such persons or entities and provide proof of their authority (for example, currently effective letters testamentary or letter of administration) to complete and execute the Proof of Claim. Any Proof of Claim submitted by legal representatives of a claimant must be executed by all such representatives.

3. You must attach to the Proof of Claim form legible copies of broker confirmation slips, monthly brokerage statements or other satisfactory proof confirming your opening balance in

Pediatrix common stock and/or call options and/or put options as of March 31, 1997 (the first day of the Class Period) as well as the particulars of each purchase and sale you made of Pediatrix common stock and/or call options and/or put options between March 31,1997 through and including April 2, 1999. IF ANY SUCH DOCUMENTS ARE NOT IN YOUR POSSESSION, PLEASE OBTAIN A COPY OR EQUIVALENT DOCUMENTS FROM YOUR BROKER OR TAX ADVISOR BECAUSE THESE DOCUMENTS ARE NECESSARY TO PROVE AND PROCESS YOUR CLAIM.

4. You must mail the completed and signed Proof of Claim and supporting documents by first-class mail, postage prepaid, postmarked no later than , _____, 2002 to:

Claims Administrator
Pediatrix Medical Group, Inc. Securities Litigation
c/o The Garden City Group, Inc.
P.O. Box 9269
Garden City, New York 11530-9269
Telephone: (888) 212-5795

Your failure to complete and mail the Proof of Claim by that date may preclude you from receiving any share of the available distributions. So that you will have a record of the date of your mailing and its receipt by the Claims Administrator, you are advised to use certified mail, return receipt requested. PLEASE KEEP A COPY OF ALL DOCUMENTS THAT YOU SEND TO THE CLAIMS ADMINISTRATOR.

REMINDER CHECKLIST:

1. Please sign the verification and certification section of the Proof of Claim form.

2. Remember to attach supporting documentation.

3. Do not send original stock certificates.

4. Keep a copy of your claim form and all supporting documentation for your records.

5. If you desire an acknowledgment of receipt of your claim form, please send it Certified Mail, Return Receipt Requested.

6. If you move, please promptly send the Claims Administrator your new address:

ANY PERSON WHO KNOWINGLY SUBMITS A FALSE PROOF OF CLAIM IS SUBJECT TO PENALTIES FOR PERJURY AND OTHER VIOLATIONS OF FEDERAL LAW

Claims Administrator
Pediatrix Medical Group, Inc. Securities Litigation
c/o The Garden City Group, Inc.
P.O. Box 9269
Garden City, New York 11530-9269
Telephone: (888) 212-5795

MUST BE POSTMARKED NO LATER THAN

_____ , 2002

CLASS MEMBER MUST COMPLETE AND TIMELY SUBMIT THIS FORM IN ORDER TO BE ELIGIBLE TO PARTICIPATE IN ANY DISTRIBUTION OF THE NET SETTLEMENT FUND.

PROOF OF CLAIM
(Please Print or Type)

I. IDENTITY OF CLAIMANT

(Complete only the applicable portions)

__Individual __Partnership __Corporation

__Estate __Trust __Two or more persons as joint owners

__IRA, Keogh or Other Type of Individual Retirement Plan _____Agent or Attorney (indicate type of plan, mailing address, and name of current custodian)

__Other (Describe on separate sheet).

(Fill in only those of the following that are applicable to you)

A. Name or Legal Name of Claimant:

Mailing Address:

Telephone No.: Day Evening
--- ---

B. Legal Representative:

Mailing Address:

Telephone No.: Day Evening
--- ---

(LEGAL REPRESENTATIVE OF CLAIMANTS MUST ATTACH POWER OF ATTORNEY OR THE INSTRUMENT SHOWING AUTHORITY TO ACT AS AGENT.)

1. By submitting this Proof of Claim, I state that I believe in good faith that I am a Class Member as defined above and in the Notice of Proposed Settlement, Settlement Hearing And Right To Share In Settlement Fund (the "Notice"), or am acting for such person; that I am not a Defendant in the action or anyone excluded from the Class; that I have read and understand the Notice; that I believe that I am entitled to receive a share of the Net Settlement Fund; that I elect to participate in the proposed Settlement described in the Notice; and that I have not filed a request for exclusion.

2. I have set forth where requested below all relevant information with respect to each purchase and/or sale of Pediatrix Medical Group, Inc. Common Stock and/or Call Options and/or put options on Pediatrix Medical Group, Inc. Common Stock, during the Class Period.

3. I have enclosed photocopies of the stockbroker's confirmation slips, stockbroker's statements or other documents evidencing each purchase and each sale or retention of Pediatrix Medical Group, Inc. Common Stock and/or Call Options and/or put options on Pediatrix Medical Group, Inc. Common Stock, listed below in support of my claim.

4. I understand that the information contained in this Proof of Claim is subject to such verification as the Court may direct, and I agree to cooperate in any such verification. I further agree and understand that if the proposed Settlement is approved by the Court and becomes effective, all claims, demands, or causes of action against any or all Defendants, and certain other persons or entities further identified below, which have been or could have been asserted relating to the subject matter of the Action will be satisfied, discharged and extinguished forever.

5. Upon the occurrence of the Effective Date (as defined in the Notice) my signature hereto will constitute a full and complete release, remise and discharge by me or, if I am submitting this Proof of Claim on behalf of a corporation, a partnership, estate or one or more other per-sons, by it, him, her or them, and by my, its, his, her or their heirs, executors, administrators, successors, and assigns, of each of the "Released Parties" of all "Released and Settled Claims," as defined in the Notice.

II. TRANSACTIONS IN PEDIATRIX COMMON STOCK

SECTION B: BEGINNING HOLDINGS: Number of shares of Common Stock of Pediatrix Medical Group, Inc. owned as of the close of trading on March 30, 1997:

SECTION P: PURCHASES: of Pediatrix Medical Group, Inc. Common Stock between March 31, 1997 and April 2, 1999, inclusive. Except as described in Section V, paragraph ____ of the Notice, persons who received Pediatrix common stock during the Class Period other than by purchase -- e.g. by gift or inheritance -- are not entitled to file claims for those transactions:

Trade Date(s) of Purchase (Exercise or Assignment Date if obtained due to an option transaction) (List Chronologically)	Number of Shares of Common Stock Purchased	Purchase Price Per Share of Common Stock	Aggregate Cost (excluding commission, taxes and fees)	Complete only if purchase was result of option exercise or assignment. Enter "E" if Exercised or "A" if Assigned	Premium Paid or Received
		$	$		
		$	$		
		$	$		
		$	$		
		$	$		
		$	$		
		$	$		

SECTION S: SALES: of Pediatrix Medical Group, Inc. Common Stock between March 31, 1997 and April 2, 1999, inclusive. (Please list in chronological order.)

Trade Date(s) of Sale (List Chronologically) Month/Day/Year	Number of Shares of Common Stock Sold	Sale Price Per Share of Common Stock	Total Proceeds (excluding commission, taxes and fees)	Complete only if purchase was result of option exercise or assignment. Enter "E" if Exercised or "A" if Assigned	Premium Paid or Received
		$	$		
		$	$		
		$	$		
		$	$		
		$	$		
		$	$		
		$	$		

SECTION U: UNSOLD: Number of shares of Pediatrix Medical Group, Inc. Common Stock owned as of April 2, 1999:

III. TRANSACTIONS IN CALL OPTIONS ON PEDIATRIX COMMON STOCK.

SECTION B: BEGINNING POSITION: Number of Contracts of Call Options1 for Pediatrix Medical Group, Inc. Common Stock owned as of the close of trading on March 30, 1997, in a short or long position:

Number of Call Option Contracts	Month and Strike Price of Options (i.e., Aug 20)	Total Amount Paid for Call Option (ONLY if exercised)

- ----------

1 Each Call Option contract covers 100 shares of Pediatrix Common Stock.

SECTION P: PURCHASES: of Call Options for Pediatrix Medical Group, Inc. Common Stock between March 31, 1997 and April 2, 1999, inclusive. (Please list in chronological order.)

Trade Date(s) of Purchase (List Chronologically)	Number of Call Option Contracts	Month and Strike Price (i.e., Aug 20)	Total Amount Paid for Call Option (excluding commissions, taxes and fees, omit cents)	Enter "E" Exercised or "X" if expired	Exercised Date mm/dd/yy
			$		
			$		
			$		

SECTION S: SALES: of Call Options for Pediatrix Medical Group, Inc. Common Stock between March 31, 1997 and April 2, 1999, inclusive. (Please list in chronological order.)

Trade Date(s) of Purchase (List Chronologically)	Number of Call Option Contracts	Month and Strike Price (i.e., Aug 20)	Total Amount Paid for Call Option (excluding commissions, taxes and fees, omit cents)	Enter "E" Exercised or "X" if expired	Exercised Date mm/dd/yy
			$		
			$		
			$		

SECTION U: UNSOLD: Number of contracts of Call Options for Pediatrix Medical Group, Inc. Common Stock held as of April 2, 1999 in a short or long position:

Number of Call Option Contracts	Month and Strike Price of Options (i.e., Aug 20)

IV. TRANSACTIONS IN PUT OPTIONS ON PEDIATRIX'S COMMON STOCK

SECTION B: BEGINNING HOLDINGS: Number of Contracts of Put Options2 for Pediatrix Medical Group, Inc. Common Stock owned as of the close of trading on March 30, 1997, in a short or long position:

Number of Put Option Contracts	Month and Strike Price of Options (i.e., Aug 20)	Total Amount Paid for Put Option (ONLY if exercised)

SECTION S: SALES: of Put Options for Pediatrix Medical Group, Inc. Common Stock between March 31, 1997 and April 2, 1999, inclusive. (Please list in chronological order.)

Trade Date(s) of Purchase (List Chronologically)	Number of Call Option Contracts	Month and Strike Price (i.e., Aug 20)	Total Amount Paid for Call Option (excluding commissions, taxes and fees, omit cents)	Enter "E" Exercised or "X" if expired	Exercised Date mm/dd/yy
			$		
			$		
			$		

- ---

2 Each Call Option contract covers 100 shares of Pediatrix Common Stock.

SECTION P: PURCHASES: of Put Options for Pediatrix Medical Group, Inc. Common Stock between March 31, 1997 and April 2, 1999, inclusive. (Please list in chronological order.)

Trade Date(s) of Purchase (List Chronologically)	Number of Call Option Contracts	Month and Strike Price (i.e., Aug 20)	Total Amount Paid for Call Option (excluding commissions, taxes and fees, omit cents)	Enter "E" Exercised or "X" if expired	Exercised Date mm/dd/yy
			$		
			$		
			$		

SECTION U: UNSOLD: Number of contracts of Put Options for Pediatrix Medical Group, Inc. Common Stock held as of April 2, 1999 in a short or long position:

Number of Put Option Contracts	Month and Strike Price of Options (i.e., Aug 20)

V. SUBSTITUTE FORM W-9

Request for Taxpayer Identification Number:

Enter taxpayer identification number below for the Beneficial Owner(s). For most individuals, this is your Social Security number. The Internal Revenue Service ("I.R.S.") requires such taxpayer identification number. If you fail to provide this information, your claim may be rejected.

Social Security Number
- ----------
(for individuals) or

Employer Identification Number
- ----------
(for estates, trusts, corporations, etc.)

VI. CERTIFICATION

UNDER THE PENALTIES OF PERJURY, I (WE) CERTIFY THAT ALL OF THE INFORMATION PROVIDED ON THIS FORM IS TRUE, CORRECT AND COMPLETE

I (We) certify that I am (we are) NOT subject to backup withholding under the provisions of Section 3406 (a)(1)(c) of the Internal Revenue Code because: (a) I am (We are) exempt from backup withholding, or (b) I (We) have not been notified by the I.R.S. that I am (we are) subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the I.R.S. has notified me (us) that I am (we are) no longer subject to backup withholding.

NOTE: If you have been notified by the I.R.S. that you are subject to backup withholding, please strike out the language that you are not subject to backup withholding in the certification above.

SIGNATURE OF CLAIMANT(S):
(if this claim is being made on behalf of Joint Claimants, then each must sign.)

- ---------- ----------

(Signature) (Signature)

Date:

EXHIBIT 3

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 99-6181-CIV-GONZALEZ

SANDS POINT PARTNERS, L.P., et al., on behalf of themselves and all others similarly situated,

Plaintiffs,

-against-

PEDIATRIX MEDICAL GROUP, INC., ROGER J. MEDEL, KARL B. WAGNER and LAWRENCE M. MULLEN

Defendants.
/
- ----------

SUMMARY NOTICE OF PROPOSED SETTLEMENT
AND SETTLEMENT HEARING

TO: ALL PERSONS AND ENTITIES ("THE CLASS") WHO PURCHASED COMMON STOCK OR CALL OPTIONS, OR SOLD PUT OPTIONS OF PEDIATRIX MEDICAL GROUP, INC. BETWEEN MARCH 31, 1997 AND APRIL 2, 1999, INCLUSIVE (THE "CLASS PERIOD")

YOU ARE HEREBY NOTIFIED, pursuant to Rule 23 of the Federal Rules of Civil Procedure and an order of the United States District Court for the Southern District of Florida, dated _____, 2002, that a hearing will be held on _____, 2002, at _____, before the Honorable Jose A. Gonzalez, Jr., at the United States Courthouse, 299 East Broward Blvd., Fort Lauderdale, Florida 33301, for the purpose of determining: (i) whether the proposed settlement of the above Action for the principal amount of Twelve Million Dollars ($12,000,000) cash, plus accrued interest, should be approved by the Court as fair, reasonable and adequate; (ii) whether an Order and Final Judgment approving the Settlement and dismissing

this Action on the merits and with prejudice should be entered; and (iii) whether the application of Plaintiffs' counsel for the payment of attorneys' fees and expenses are reasonable and should be approved.

IF YOU ARE A MEMBER OF THE CLASS DESCRIBED ABOVE, YOUR RIGHTS WILL BE AFFECTED AND YOU MAY BE ENTITLED TO SHARE IN THE SETTLEMENT FUND. If you have not yet received the full printed Notice of Proposed Settlement of Class Action, Settlement Fairness Hearing, and Right to Share in Settlement Fund and a Proof of Claim form, you may obtain copies of these documents by identifying yourself as a member of the Class and writing to:

Claims Administrator
Pediatrix Medical Group, Inc. Securities Litigation
c/o The Garden City Group, Inc.
P.O. Box 9269
Garden City, New York 11530-9269
Telephone: (888) 212-5795

All inquiries other than requests for the forms of Notice and Proof of Claim, should be made in writing, addressed to Plaintiffs' Co-Lead Counsel:

Michael J. Pucillo, Esq.
Wendy H. Zoberman, Esq.
Berman DeValerio Pease
Tabacco Burt & Pucillo
515 N. Flagler Dr., Suite 1701
West Palm Beach, FL 33401
(561) 835-9400

John P. Coffey, Esq.
Rochelle Feder Hansen, Esq.
Bernstein Litowitz Berger
& Grossmann LLP
1285 Avenue of the Americas
New York, NY 10019
(212) 554-1400

To participate in the Settlement, you must file a Proof of Claim no later than _____, 2002. IF YOU ARE A CLASS MEMBER AND DO NOT FILE A PROPER, TIMELY PROOF OF CLAIM, YOU WILL NOT SHARE IN THE SETTLEMENT BUT YOU WILL BE BOUND BY THE FINAL ORDER AND JUDGMENT OF THE COURT.

PLEASE DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF THE CLERK OF THE COURT FOR INFORMATION OR ADVICE.

Dated: _____

BY ORDER OF THE
United States District Court
Southern District of Florida

EXHIBIT B

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 99-6181-CIV-GONZALEZ

SANDS POINT PARTNERS, L.P.,
et al. on behalf of themselves and
all others similarly situated,

Plaintiffs,

vs.

PEDTATRIX MEDICAL GROUP, INC.,
ROGER J. MEDEL, KARL B. WAGNER,
and LAWRENCE M. MULLEN,

Defendants.

/
- ----------

ORDER AND FINAL JUDGMENT

On this _____ day of _____, 2002, a hearing having been held before this Court to determine: (1) whether the terms and conditions of the Stipulation and Agreement of Settlement, dated as of _____, 2002 (the "Stipulation") are fair, adequate and reasonable for the settlement of all claims asserted by the Class against the Defendants in the Complaint now pending in this Court under the above caption, including the release of the Defendants and the Released Parties and should be approved; (2) whether judgment should be entered dismissing the Complaint on the merits and with prejudice in favor of the Defendants as against all persons or entities who are members of the Class herein who have not requested exclusion therefrom; (3) whether to approve the Plan of Allocation as a fair and reasonable method to allocate the settlement proceeds among the members of the Class; and (4) whether and in what amount to award counsel for Plaintiffs and the Class fees and reimbursement of

expenses. On November 6, 2000, this Court, pursuant to Rules 23(a) and (b)(3) certified a class consisting of: All persons who purchased Pediatrix Medical Group, Inc. ("Pediatrix") common stock, purchased Pediatrix call options, or sold Pediatrix put options between March 31, 1997 and April 2, 1999, inclusive (the "Class Period"). Excluded from the Class are Pediatrix, its subsidiaries and affiliates, the Individual Defendants, members of the immediate families of each of the Individual Defendants, and any entities in which any of the Defendants has a controlling interest, and the legal representatives, heirs, successors, affiliates or assigns of any of the foregoing excluded persons and entities. Also excluded from the Class are the persons and/or entities who requested exclusion from the Class as listed on Exhibit A annexed hereto. The Court having considered all matters submitted to it at the hearing and otherwise; and it appearing that a Notice of the hearing substantially in the form approved by the Court was mailed to all persons or entities reasonably identifiable, who purchased common stock or call options or sold put options of Pediatrix Medical Group, Inc., during, the Class Period, except those persons or entities excluded from the definition of the Class, and that a Publication Notice of the hearing substantially in the form approved by the Court was published over the BUSINESS WIRE and in INVESTORS BUSINESS DAILY pursuant to the specifications of the Court; and the Court having considered and determined the fairness and reasonableness of the award of attorneys' fees and expenses requested; and all capitalized terms used herein having the meanings as set forth and defined in the Stipulation.

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Court has jurisdiction over the subject matter of the Action, the Lead Plaintiffs, all other Class Members and the Defendants.

2. Pursuant to and in accordance with the requirements of Rule 23, the Settlement as set forth in the Stipulation is approved as fair, reasonable and adequate, and in the best interests of the Class, and the Class Members and the parties are directed to consummate the Stipulation in accordance with its terms and provisions.

3. The distribution of the Notice of Proposed Settlement of Class Action, Settlement Fairness Hearing, and Right to Share in Settlement Fund, and publication of the Summary Notice of Proposed Settlement and Settlement Hearing as provided in the Preliminary Order in Connection with Settlement Proceedings constituted the best notice practicable under the circumstances to all Class Members, and fully met the requirements of Rule 23 of the Federal Rules of Civil Procedure, due process, the United States Constitution, and any other applicable law.

4. The Complaint is hereby dismissed with prejudice and without costs, except as provided in the Stipulation, as against Pediatrix, the Individual Defendants, their past or present subsidiaries, parents, affiliates, partners, successors and predecessors, officers, directors, shareholders, insurers, reinsurers, agents, employees, attorneys, advisors, and investment advisors, auditors, accountants and any person, firm, trust, corporation, officer, director or other individual or entity in which any Defendant has a controlling interest or which is related to or affiliated with any of the Defendants, and the legal representatives, heirs, successors in interest or assigns of the Defendants.

5. Lead Plaintiffs and the other Members of the Class and the successors and assigns of any of them, are hereby permanently barred and enjoined from instituting, commencing or prosecuting, either directly or in any other capacity, any Released and Settled Claims against any of the Released Parties. The Released and Settled Claims are hereby compromised, settled,

released, discharged and dismissed as against the Released Parties on the merits and with prejudice by virtue of the proceedings herein and this Order and Final Judgment.

6. The Defendants, the Released Parties, and the successors and assigns of any of them, are hereby permanently barred and enjoined from instituting, commencing or prosecuting, either directly or in any other capacity, any Released and Settled Defendants' Claims against any of the Lead Plaintiffs, the Jacksonville Police & Fire Pension Fund, other Class Members or their attorneys. The Released and Settled Defendants' Claims are hereby compromised, settled, released, discharged and dismissed on the merits and with prejudice by virtue of the proceedings herein and this Order and Final Judgment.

7. Neither the Stipulation, nor any of its terms and provisions, nor any of the negotiations or proceedings connected with it, nor any of the documents or statements referred to therein shall be:

a. offered or received against the Defendants as evidence of or construed as or deemed to be evidence of any presumption, concession, or admission by any of the Defendants of the truth of any fact alleged by Plaintiffs or the validity of any claim that has been or could have been or could be asserted in the Action or in any litigation, or the deficiency of any defense that has been or could have been asserted in the Action or in any litigation, or of any liability, negligence, fault, or wrongdoing of the Defendants;

b. offered or received against the Defendants as evidence of a presumption, concession or admission of any fault, misrepresentation or omission with respect to any statement or written document approved or made by any Defendant, or against the Lead Plaintiffs or the other members of the Class as evidence of any infirmity in the claims of Lead Plaintiffs and the other members of the Class;

c. offered or received against the Defendants as evidence of a presumption, concession or admission of any liability, negligence, fault or wrongdoing, or in any way referred to for any other reason as against any of the parties to the Stipulation, in any other civil, criminal or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of the Stipulation;

d. construed against the Defendants or the Lead Plaintiffs and the other members of the Class as an admission or concession that the consideration to be given hereunder represents the amount which could be or would have been recovered after trial; and

e. construed as or received in evidence as an admission, concession or presumption against Lead Plaintiffs or the other members of the Class or any of them that any of their claims are without merit or that damages recoverable under the Complaint would not have exceeded the Settlement Fund.

8. The Plan of Allocation is approved as fair and reasonable, and in the best interests of the Class, and Plaintiffs' Co-Lead Counsel and the Claims Administrator are directed to administer the Stipulation in accordance with its terms and provisions.

9. Counsel for Lead Plaintiffs and the other members of the Class are hereby awarded ___% of the Gross Settlement Fund as and for their attorneys' fees, which sum the Court finds to be fair and reasonable, and $_____ in reimbursement of expenses, which shall be paid to Plaintiffs' Co-Lead Counsel from the Settlement Fund with interest from the date such Settlement Fund was funded to the date of payment at the same rate that the Settlement Amount earns. The award of attorneys' fees shall be allocated among Plaintiffs' Counsel in a fashion which, in the opinion of Plaintiffs' Co-Lead Counsel, fairly compensates Plaintiffs' Counsel for their respective contributions in the prosecution of the Action.

10. In setting the foregoing counsel fee, as a percentage of the common fund recovery obtained for the Class herein, this Court has considered the following factors set forth in CAMDEN 1 CONDOMINIUM ASSOCIATION, INC. V. DUNKLE, 946 F. 2d 768 (11th Cir. 1991); (1) the novelty and complexity of the federal securities law issues involved; (2) the favorable result obtained for the Class; (3) the fact that this action was prosecuted on a contingent fee basis; (4) the experience of counsel on both sides; and (5) the fee customarily awarded for such litigation in this District and other courts in this Circuits.

11. The Court finds that during the course of this Action, the parties and their respective counsel at all times complied with the requirements of Federal Rule of Civil Procedure 11.

12. Exclusive jurisdiction is hereby retained over the parties and the Class Members for all matters relating to this litigation, including the administration, interpretation, effectuation or enforcement of the Stipulation and this Order and Final Judgment, and including any application for fees and expenses incurred in connection with administering and distributing the settlement proceeds to the members of the Class.

13. An appeal of the portion of this Order which awards attorneys' fees or expenses, shall have no effect whatsoever on the finality of any other portion of this Order and Final Judgment or the Effective Date of the Settlement as provided in the Stipulation. Class Members appealing this Order and Final Judgment or any portion thereof, must first timely intervene pursuant to Federal Rule of Civil Procedure 24.

14. Without further order of the court, the parties may agree to reasonable extensions of time to carry out any of the provisions of the Stipulation.

15. There is no just reason for delay in the entry of this Order and Final Judgment and immediate entry by the Clerk of the Court is expressly directed pursuant to Rule 54(b) of the Fed. R. Civ. P.

DONE AND ORDERED, in Chambers at Miami, Miami-Dade County, Florida, this __ day of _____, 2002.

THE HONORABLE JOSE A. GONZALEZ, JR.
UNITED STATES DISTRICT COURT JUDGE

Copies furnished to all counsel on the attached Service List

EXHIBIT 21.1
SUBSIDIARIES OF PEDIATRIX

1. PMG Acquisition Corporation

2. Pediatrix Medical Group of Delaware, Inc.

3. Pediatrix Medical Group of Florida, Inc.

Neonatal Associates of Northwest Florida, P.A.

4. Florida Regional Neonatal Associates, P.A.

5. Obstetrix Medical Group, Inc.

Obstetrix Medical Group of Florida, Inc.

Obstetrix Medical Group of Delaware, Inc.

6. Magella Healthcare Corporation

Magella Nevada, LLC

Magella Texas, LLC

Magella Healthcare Group, L.P.

Mountain States Neonatology, Inc.

Ozark Neonatal Associates, Inc.

Alaska Neonatology Associates, Inc.

Exhibit 23.1

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Shareholders of
Pediatrix Medical Group, Inc.

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-97672, 333-07057, 333-07059, 333-07061, 333-37937 and 333-77779) of Pediatrix Medical Group, Inc. of our report dated January 31, 2002, except as to the fourth paragraph of Note 9 which is as of February 28, 2002, relating to the consolidated financial statements and financial statement schedule of Pediatrix Medical Group, Inc., which appears in this Form 10-K.

PricewaterhouseCoopers LLP

Fort Lauderdale, Florida
March 28, 2002