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, 2000

[ ] 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.
(Exchange 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 $.01 par value 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. Yes [X] No [ ]

The aggregate market value of shares of Common Stock, $.01 par value per share, of the registrant held by non-affiliates of the registrant as of February 28, 2001, was approximately $210,065,000 based on a $22.55 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, $.01 par value per share, of the registrant outstanding as of February 28, 2001 was 15,895,828.

DOCUMENTS INCORPORATED BY REFERENCE:

None.

INDEX TO ITEMS

PART I

ITEM 1. BUSINESS

Unless the context requires otherwise, the terms "Pediatrix", "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"), which 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, 2000, we provided services in 24 states and Puerto Rico and employed or contracted with 452 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.

Similarly, we 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 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 maternal-fetal-neonatal medicine.

We established our leading position in neonatal and perinatal physician services by developing a comprehensive care model and management and systems infrastructure that address 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 and career advancement opportunities within Pediatrix.

RECENT DEVELOPMENTS

On February 15, 2001, we announced that we had signed a definitive merger agreement to acquire MAGELLA Healthcare Corporation ("Magella"). Under the terms of the merger agreement, we would issue approximately 6.9 million shares of Pediatrix common stock in exchange for all outstanding capital stock (including shares of Magella non-voting common stock that will be issued upon the exercise immediately prior to the merger of substantially all outstanding warrants of Magella). In addition, we would assume certain obligations to issue up to 1.39 million shares of Pediatrix common stock pursuant to Magella's stock option plans. Pediatrix would repay an estimated $25 million of Magella's bank

debt and assume $23.5 million of subordinated notes, which notes, subject to agreement by each holder thereof, would be convertible into approximately 1 million shares of Pediatrix common stock.

On the terms and subject to the conditions set forth in the merger agreement, Infant Acquisition Corporation, a wholly owned subsidiary of Pediatrix ("Sub"), would be merged with and into Magella (the "Merger"). At the effective time of the Merger, the separate existence of Sub would cease and Magella would continue as the surviving corporation and as a wholly owned subsidiary of Pediatrix. The Merger is intended to be a tax-free reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended, and would be treated as a purchase for financial accounting purposes.

In the Merger, holders of shares of Magella stock outstanding immediately prior to the effective time of the Merger (other than shares to be canceled in accordance with the merger agreement and shares as to which appraisal rights have been properly exercised) would receive, in exchange for each share of Magella stock held by them, a fraction of a share of Pediatrix common stock equal to the product of (x) one-thirteenth times (y) (A) in the case of Magella common stock, one, or (B) in the case of any other class or series of Magella stock, that number of shares of Magella common stock into which one share of such other class or series of Magella stock is then convertible.

The board of directors of each company has approved the definitive agreement. Shareholders of Magella representing a majority of the outstanding shares of Magella voting stock have agreed to vote their shares in favor of the proposed merger and, immediately prior to the effective time of the Merger, to exercise warrants held by them to purchase Magella non-voting common stock. The proposed merger is subject to the approval of the shareholders of Pediatrix of the issuance of Pediatrix common stock in connection with the Merger. (see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Subsequent Events").

INDUSTRY OVERVIEW

The managed care environment has created substantial cost containment pressures for all constituents of the healthcare 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.

Physicians have responded to cost containment pressures by joining larger group practices, through which they have greater leverage to negotiate and contract with hospitals and managed care payors. These pressures have also lead to the development of physician organizations which provide physicians an alternative to self-management while creating greater negotiating power with payors and hospitals, and providing administrative support to deal with the increasing complexity of billing and reimbursement. 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 through affiliations with small, local physician groups or with independent practitioners. These small practices typically lack the necessary expertise and support services in quality assurance, billing and reimbursement, recruiting and effective medical management to operate NICUs in a cost-effective manner. 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 evolving 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 that 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 located in metropolitan areas 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 both 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 believe that we will continue to benefit from physicians joining larger practice groups in an effort to increase negotiating power with managed care organizations and eliminate administrative burdens, while maintaining clinical autonomy. We completed our first acquisition of a neonatology physician group practice in July 1995 and since have acquired more than 50 established physician group practices. However, we are actively pursuing acquisitions of additional neonatal and perinatal physician group practices. We may not be able to identify future acquisition candidates or consummate any future acquisitions. See "Recent Developments" above and "Risk Factors--Our failure to find suitable acquisition candidates or successfully integrate any future or recent acquisitions could harm our business and results of operations" below.

DEVELOP REGIONAL NETWORKS AND EXPAND THE CONTINUUM OF CARE. 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 Seattle-Tacoma, Denver-Colorado Springs, Phoenix-Tucson, Fort Worth, Kansas City and Reno 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 and expanding the continuum of care we provide 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 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, including capitation arrangements. 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 services to NICUs and PICUs, providing (i) a medical director to manage the unit, (ii) recruiting, staffing and scheduling of 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 Medical Officers ("RMO"). The RMOs 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) the overall management of the unit, including quality of care, professional discipline, utilization review, 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 the neonatologists, perinatologists, pediatricians and advanced registered nurse practitioners ("ARNPs") within the NICU and PICU of the hospital. Our recruiting department maintains an extensive database of neonatologists, perinatologists and pediatricians nationwide from which to draw for recruiting purposes. We pre-screen all candidates and check and verify their credentials, licensure and references. The RMOs 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 medical directors and other 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 that are employed by or under contract with us, we assume responsibility for salaries, benefits, bonuses, group health insurance 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 and adding new hospital contracts.

BILLING AND REIMBURSEMENT. We assume responsibility for all aspects of the billing, reimbursement and collection related to physician services. Patients and/or third party payors receive a bill from us for physician services. The hospital bills and collects separately for all other services. 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 regional business offices in Phoenix, Arizona, Orange, California, Richmond, Virginia, and Dallas, Texas.

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 healthcare 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) other sales and business development personnel that conduct on-site visits together with senior management. We also advertise our services in hospital and healthcare 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 networks and statewide networks to strengthen our position with managed care organizations and other third party payors.

MANAGEMENT INFORMATION SYSTEMS

We maintain several systems to support our day-to-day operations, business development and ongoing clinical and business analysis, including (i) an intranet site to facilitate clinical research and interaction among physicians regarding clinical matters on a real-time basis, (ii) electronic interchange with payors using electronic benefits verification and claims submission, (iii) a database used by the business development and marketing departments in recruiting individual physicians and identifying potential neonatal and perinatal physician group acquisition candidates, which is updated through telemarketing activities, personal contacts, professional journals and mail solicitation, (iv) electronic imaging to streamline accessibility to operational documents, (v) a clinical tracking system used by the physicians to assist in the creation of their respective paperwork and establish the basis for the consolidated clinical information database used to support our education, research and quality assurance programs, 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.

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 three to five years and renew automatically for additional terms of one to five years unless otherwise terminated by either party. The contracts typically provide that the hospital or we may terminate the agreement prior to the expiration of the initial term upon 90 days' written notice. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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 5%, 6% and 7% of our net patient service revenue during 1998, 1999 and 2000, 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. In the event that 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. Pediatrix Medical Group, Inc. ("PMG") has entered into management agreements ("PA Management Agreements") with PA Contractors in all states in which we operate, other than Florida. There is at least one PA Contractor in each state, other than Florida, in which we operate. Each PA Contractor is owned by a licensed physician. Subject to the provisions of the 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 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 agreements provide that the term of the arrangements are permanent, subject only to termination by PMG, and the PA Contractor cannot terminate the agreement without PMG's prior written consent. Also, the agreements provide that PMG or its assigns has the right, but not the obligation, to purchase the stock of the PA Contractor. See Note 2 to our Consolidated Financial Statements and "Risk Factors--Regulatory authorities 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 and 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. The physicians generally receive a base salary plus a productivity bonus. The physician is required to hold a valid license to practice medicine in the appropriate jurisdiction 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 of 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 one to two years after termination of employment. We contract and pay the premiums for malpractice insurance on behalf of the physicians. See "Professional Liability and Insurance" below.

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 of the contracts between the physician practice group and the hospital at which the physician practice group provides medical services, (ii) physician "tail insurance" coverage under which we are an insured party to cover malpractice liabilities that may arise after the date of the acquisition which relate to events prior to the acquisition, and (iii) indemnification to us by the previous owners of the acquired entity (although neither Magella nor any of its stockholders is providing us with indemnification). 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.

GOVERNMENT REGULATION

Our operations and relationships are subject to a variety of governmental and regulatory requirements relating to the conduct of its business. We are also subject to laws and regulations which 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 and state law and believe that such arrangements and practices comply in all material respects with all applicable statutes and regulations.

Approximately 21% of our net patient service revenue in 2000, exclusive of administrative fees, was derived from payments made by government-sponsored healthcare 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. Medicaid and other government reimbursement programs are increasingly shifting to managed care, which could result in reduced payments to us for Medicaid patients. In addition, funds received under these programs are subject to audit with respect to the proper billing for physician services and, accordingly, retroactive adjustments of revenue from these programs may occur. See "Risk Factors--Limitations of or reductions in reimbursement amounts or rates by government-sponsored healthcare programs could adversely affect our financial condition and results of operations" below.

For more information about the various regulations to which we are subject, see "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 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 and have an adverse effect on our financial condition and results of operations", and "Risk Factors--Federal and state healthcare 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.

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 or that such coverage will continue to be available at acceptable costs and on favorable terms. See "Item 3. Legal Proceedings" and "Risk Factors--We may be subject to malpractice 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, 2001, and we expect to be able to renew such policy or obtain substantially similar coverage upon expiration.

COMPETITION

The healthcare industry is highly competitive and has been subject to continual changes in the method in which healthcare services are provided and the manner in which healthcare providers are selected and compensated. We believe that private and public reforms in the healthcare 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 healthcare 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 our reputation and experience, and the physician's ability to provide cost-effective, quality care. See "Risk Factors--Our industry is already very competitive, 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.

EMPLOYEES AND PROFESSIONALS UNDER CONTRACT; GEOGRAPHIC COVERAGE

In addition to the 452 physicians employed by or under contract with us as of December 31, 2000, Pediatrix employed or contracted with 220 other clinical professionals and 747 other full-time and part-time employees. None of our employees are subject to a collective bargaining agreement.

We provide services in Arizona, Arkansas, California, Colorado, Florida, Georgia, Indiana, 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.

RISK FACTORS

RISKS RELATED TO THE PROPOSED MERGER WITH MAGELLA

THE VALUE OF THE PEDIATRIX COMMON STOCK THAT MAGELLA'S STOCKHOLDERS WILL RECEIVE IN THE MERGER MAY INCREASE OR DECREASE BECAUSE OF CHANGES IN THE TRADING PRICE OF PEDIATRIX COMMON STOCK, BUT WILL NOT CHANGE AS A RESULT OF ANY CHANGES IN THE VALUE OF MAGELLA STOCK.

The exchange ratio establishing the percentage of a share of Pediatrix common stock into which each share of Magella stock will be converted is expressed in the merger agreement as a fixed ratio and will not be adjusted in the event of any increase or decrease in the trading price of Pediatrix common stock or the value of Magella stock. Variations in price or value may be the result of changes in the business, operations or prospects of Pediatrix or Magella, market assessments of the likelihood and timing of the merger being completed, regulatory considerations, general economic and market conditions, and other factors. Therefore, the specific dollar value of the Pediatrix common stock that will be issued in the merger will depend on the trading price of Pediatrix common stock at the time that the merger is completed, and may be more than Pediatrix's shareholders or less than Magella's stockholders believe is appropriate. Moreover, the merger may not be completed immediately following the annual meeting, if all conditions to the merger have not yet been satisfied or waived. Accordingly, the trading price of a share of Pediatrix common stock on the date of the annual meeting may not be indicative of its price on the date the merger is completed.

ALTHOUGH WE EXPECT THAT THE MERGER WILL RESULT IN BENEFITS, THOSE BENEFITS WILL NOT BE REALIZED IF WE DO NOT SUCCESSFULLY INTEGRATE MAGELLA'S OPERATIONS WITH OUR OWN.

Achieving the benefits of the merger will depend in part on the integration of Magella's operations and personnel with those of our own. This integration may be a complex, time consuming and expensive process and may disrupt our business if not completed in a timely and efficient manner. The challenges involved in this integration include the following:

- identifying and managing unanticipated business uncertainties or legal liabilities relating to Magella's business and operations;
- managing our costs, including projecting physician and employee costs and appropriately pricing our services;
- integrating financial and operational software;
- obtaining consents of third parties that have contracted with Magella, such as managed care companies and hospitals; and
- integrating a consistent compliance plan for physician documentation, procedure coding and billing practices.

For the reasons described under "Our failure to find suitable acquisition candidates or successfully integrate any future or recent acquisitions could harm our business and results of operations" below, we cannot assure you that we will successfully integrate Magella's operations and personnel in a timely manner or at all or that any of the anticipated benefits of the proposed merger will be realized. Failure to do so could materially harm the business and results of operations of the combined company. Also, we cannot assure you that the growth rate of the combined company will equal the historical growth rates experienced separately by us and Magella prior to the merger.

WE AND MAGELLA EXPECT TO INCUR SIGNIFICANT COSTS ASSOCIATED WITH THE MERGER.

We estimate that we will incur direct transaction costs of approximately $1,750,000 associated with the merger, which will be included as a part of our total purchase cost for accounting purposes. In addition, Magella estimates that it will incur direct transaction costs of approximately $1,400,000, which will be expensed in the quarter that the merger is completed. We also believe the combined company may incur charges to operations, which cannot currently be estimated, in the quarter in which the merger is completed or the following quarters, to reflect costs associated with integrating the two companies. We cannot assure you that the combined company will not incur additional material charges in subsequent quarters to reflect additional costs associated with the merger.

IF THE PROPOSED MERGER IS NOT COMPLETED, OUR STOCK PRICE AND FUTURE BUSINESS AND OPERATIONS COULD BE HARMED.

If the merger is not completed, we may be subject to the following material risks, among others:

- if our board of directors were to withdraw its recommendation of the merger, we may be required to pay Magella a termination fee of $4.5 million pursuant to the merger agreement;
- if our shareholders do not approve the issuance of our common stock, we may be required to pay Magella $1.5 million pursuant to the merger agreement as reimbursement for its out-of-pocket expenses in connection with the proposed merger;
- the price of our common stock may decline to the extent that the current market price of our common stock reflects an assumption that the merger will be completed; and
- our costs related to the merger, such as legal and accounting costs, and some of the fees of our financial advisors, must be paid even if the merger is not completed.

BECAUSE MAGELLA'S BUSINESS IS SIMILAR TO OURS, THE RISKS THAT AFFECT US ALSO AFFECT MAGELLA.

Magella's business and operations are similar to ours. Both companies provide neonatal and perinatal physician services through their respective subsidiaries and through various professional associations and partnerships, or affiliated professional contractors, with whom they contract to provide medical services as described under "Regulatory authorities 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 and have an adverse effect on our financial condition and results of operations" below. Accordingly, many of the risks related to Pediatrix that are described under "--Risks related to Pediatrix" below also apply to Magella's business and operations. Neither Magella nor any of its stockholders has indemnified us against any of these risks.

RISKS RELATED TO PEDIATRIX

FROM TIME TO TIME WE ARE SUBJECT TO BILLING INVESTIGATIONS WHICH COULD HAVE AN ADVERSE EFFECT ON OUR BUSINESS AND RESULTS OF OPERATIONS.

Some state and federal statutes impose substantial penalties, including civil and criminal fines and imprisonment, on health care providers 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 the Tricare program for military dependents. 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 investigation in Colorado is ongoing and these 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. We further believe that 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 and from time to time, we may be subject to additional billing audits and inquiries by government and other payors.

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. Neonatal, perinatal and other health care services that we and our affiliated professional contractors provide are subject to extensive 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. 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 effected, could have the effect of reducing our opportunities for continued growth and imposing additional compliance costs on us that we cannot recover through price increases.

IF WE ARE UNSUCCESSFUL IN DEFENDING CLASS ACTION LAWSUITS THAT HAVE BEEN BROUGHT AGAINST US, DAMAGES AWARDED MAY EXCEED THE LIMITS OF OUR INSURANCE COVERAGE.

In February 1999, several federal securities law class actions were commenced against us and three of our principal officers in United States District Court for the Southern District of Florida. The plaintiffs purport to represent a class of all open market purchasers of our common stock between March 31, 1997, and various dates through and including April 2, 1999. They claim that during that period, we violated the antifraud provisions of the federal securities laws by issuing false and misleading statements concerning our billing practices and results of operations. The plaintiffs seek damages in an undetermined amount based on the alleged decline in the value of the common stock after we, in early April 1999, disclosed the initiation of inquiries by state investigators into our billing practices. The plaintiff class has been certified, and the case is now in the discovery stage. No trial date has been set, but on September 11, 2000, the court set a pre-trial conference for May 25, 2001. Under the local rules, all pre-trial activities, including discovery and motions for summary judgment, must be completed before that date, and trial may be set for any time thereafter. Also pursuant to the local rules, the parties have agreed to engage in a mediation, but to date those efforts have been unsuccessful. Although we continue to believe that the claims are without merit and intend to defend them vigorously, if we are unsuccessful in defending class action lawsuits that have been brought against us, damages awarded could exceed the limits of our insurance coverage and have a material adverse effect on our financial condition, results of operations and liquidity.

LIMITATIONS OF OR REDUCTION IN REIMBURSEMENT AMOUNTS OR RATES BY GOVERNMENT-SPONSORED HEALTHCARE PROGRAMS COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

A significant portion of our net patient service revenues is derived from reimbursements by various 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. 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. Also, 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 example, during our recent billing investigations, we believe that our physicians took too conservative an approach to coding their services, increasing the use of non-critical care codes for which our reimbursement is lower than critical care codes. As a result, we received lower reimbursements than we believed we were entitled to receive under our arrangements with third party payors.

REGULATORY AUTHORITIES 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 AND HAVE AN ADVERSE EFFECT ON OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Many states have laws that prohibit business corporations, such as our company, 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 physicians licensed in that state, and these affiliated professional contractors in turn employ or contract with physicians to provide physician services. Regulatory authorities or other parties 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 and 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. 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.

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.

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 HEALTHCARE 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. 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.

OUR FAILURE TO FIND SUITABLE ACQUISITION CANDIDATES OR SUCCESSFULLY INTEGRATE ANY FUTURE OR RECENT ACQUISITIONS 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 cannot assure you that we will be able to implement our acquisition strategy, or that our strategy will 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 common stock for an acquisition may result in dilution to our existing shareholders.

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

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

In addition, 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.

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.

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 case 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.

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

Our business entails an inherent risk of claims of physician professional liability. 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 of 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. Our contracts with hospitals generally require us to indemnify certain persons for losses resulting from the negligence of physicians who are associated with us. We cannot assure you that a pending or future claim or claims 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.

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 direction services at the hospital. Administrative fees accounted for 5%, 6% and 7% of our net patient service revenue during 1998, 1999 and 2000, 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 in the future, 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 also be adversely affected.

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

The health care industry is highly 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 financial and other resources greater 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 competition may have an adverse effect on our revenues.

WE MAY NOT BE ABLE TO SUCCESSFULLY RECRUIT AND RETAIN 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 have been able to compete with many types of health care providers, as well as teaching, research, and government institutions, for the services of qualified physicians. No assurance can be given that we will be able to continue to recruit and retain a sufficient number of qualified neonatologists and perinatologists who provide services in markets served by us on terms similar to our current arrangements. The inability to successfully recruit and retain physicians could adversely affect our ability to service existing or new units at hospitals, or expand our business.

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, 2000, there were 15,877,815 million shares of our common stock outstanding. Based on the capitalization of Pediatrix and Magella at February 28, 2001, and assuming that the merger is completed on May 31, 2001, immediately after the completion of the merger there will be approximately 22,764,529 million shares of our common stock outstanding, all of which will be freely tradable without restriction, with the following exceptions:

- 37,824 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;

- 996,338 shares, which are owned by certain persons who are parties to the standstill and registration rights agreement (including certain of our officers, directors and affiliates) may not be resold without our consent until November 27, 2001, and thereafter only in accordance with the applicable volume and other restrictions under Rule 144 of the Securities Act of 1933;

- 2,253,688 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 31, 2002, and thereafter only in accordance with any applicable volume and other restrictions under Rule 144 of the Securities Act of 1933; and

- approximately 1,002,409 shares, which are owned by Welsh, Carson, Anderson & Stowe VII, L.P. and certain of its affiliates, not more than one-third of which, or approximately 334,136 shares, may be resold without our consent in any 90-day period between August 29, 2001, and May 31, 2002, pursuant to this proxy statement/prospectus or otherwise in accordance with any applicable volume and other restrictions under Rule 144 of the Securities Act of 1933.

As of December 31, 2000, there were also:

- 4,841,983 shares of our common stock reserved for issuance under our amended and restated stock option plan, of which options for an aggregate of 4,555,431 shares of common stock were issued and outstanding and options for an aggregate of 2,666,022 shares of common stock were exercisable; and

- 544,989 shares of our common stock reserved for issuance under our employee stock purchase plans.

In addition, based on the capitalization of Pediatrix and Magella at February 28, 2001, and assuming that the merger is completed on May 31, 2001, immediately after the completion of the merger there will be approximately 2,438,288 shares of our common stock issuable under Magella's stock options and convertible notes.

All shares of common stock issued under Magella's options, warrants and convertible notes and our stock option and 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. Magella's options, warrants and convertible notes, and our stock options, 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, warrants 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. The exercise or conversion of these options, warrants 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, 2000, 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.

IF WE ARE UNABLE TO OBTAIN FINANCING WHEN OUR CURRENT CREDIT FACILITY EXPIRES, OUR BUSINESS COULD BE ADVERSELY AFFECTED.

Our current credit facility expires September 30, 2001. We are currently evaluating alternatives to meet our capital requirements after this date. If we are not able to obtain financing in the amount of, and on terms at least as favorable as, our current credit facility prior to September 30, 2001, our business could be adversely affected.

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 or Magella 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 or Magella'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 2000, 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 $3,293,000. See Note 9 to the Consolidated Financial Statements.

ITEM 3. LEGAL PROCEEDINGS

For a description of certain legal proceedings involving us, see "Risk Factors--From time to time we are subject to billing investigations which could have an adverse effect on our business and results of operations" and "Risk Factors--If we are unsuccessful in defending class action lawsuits that have been brought against us, damages awarded may exceed the limits of our insurance coverage" above.

During the ordinary course of business, we have 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 the investigations conducted by us to date, 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 lawsuits, some of which we may not be fully insured against" above.

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, 2000.

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
1999		
First Quarter	65 9/16	18 1/16
Second Quarter	28 3/8	13 1/8
Third Quarter	21 1/4	12 1/2
Fourth Quarter	13 7/8	6
2000		
First Quarter	12	6 3/4
Second Quarter	11 7/8	6 7/16
Third Quarter	16 1/2	11 1/4
Fourth Quarter	25 11/16	12 7/8

As of February 28, 2001, there were approximately 133 holders of record of the 15,895,828 outstanding shares of Pediatrix common stock. The closing sales price for Pediatrix common stock on February, 28, 2001, was $22.55 per share.

We did not declare or pay any cash dividends on our common stock in 1999 or 2000, 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 (in thousands, except per share and other operating data)

The selected consolidated financial data set forth as of and for each of the five years in the period ended December 31, 2000, 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,				
	1996	1997	1998	1999	2000
CONSOLIDATED INCOME STATEMENT DATA:					
Net patient service revenue(1)(2)	$80,833	$128,850	$185,422	$227,042	$243,075
Operating expenses:					
Salaries and benefits(3)	52,732	81,486	113,748	148,915	177,718
Supplies and other operating expenses	6,262	9,765	14,050	21,053	26,675
Depreciation and amortization	1,770	4,522	8,673	12,068	13,810
Total operating expenses	60,764	95,773	136,471	182,036	218,203
Income from operations	20,069	33,077	48,951	45,006	24,872
Investment income	2,096	2,102	564	296	358
Interest expense	(192)	(324)	(1,013)	(2,697)	(3,771)
Income before income taxes	21,973	34,855	48,502	42,605	21,459
Income tax provision	8,853	13,942	19,403	17,567	10,473
Net income	$13,120	$ 20,913	$ 29,099	$25,038	$10,986
PER SHARE DATA:					
Net income per common share:					
Basic	$ 0.95	$ 1.39	$ 1.91	$ 1.61	$ 0.70
Diluted	$ 0.90	$ 1.33	$ 1.82	$ 1.58	$ 0.68
Weighted average shares used in computing net income per common share:					
Basic	13,806	15,021	15,248	15,513	15,760
Diluted	14,535	15,743	15,987	15,860	16,053

ITEM 6. SELECTED FINANCIAL DATA, CONTINUED (in thousands, except per share and other operating data)

	YEARS ENDED DECEMBER 31,				
	1996	1997	1998	1999	2000
OTHER OPERATING DATA:					
Number of physicians at end of period	195	260	350	434	452
Number of births	132,796	200,616	268,923	337,480	381,602
NICU admissions	14,250	21,203	27,911	33,942	39,272
NICU patient days	185,702	325,199	450,225	548,064	637,957
CONSOLIDATED BALANCE SHEET DATA:					
Cash and cash equivalents	$18,435	$18,562	$ 650	$ 825	$ 3,075
Working capital (deficit)(4)	81,187	53,908	14,915	(16,352)	2,108
Total assets	162,869	203,719	270,658	334,790	324,734
Total liabilities	26,548	40,010	63,265	105,903	82,834
Borrowings under line of credit	--	--	7,850	48,393	23,500
Long term debt, including current maturities	2,950	2,750	2,550	2,350	--
Shareholders' equity	136,321	163,709	201,051	228,887	241,900

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(1) The Company is continuously adding new physician practices as a result of acquisitions and internal marketing activities. The increase in net patient service revenue related to acquisitions and internal marketing activities was approximately $47.5 million, $50.0 million, $49.5 million and $13.9 million for the years ended December 31, 1997, 1998, 1999 and 2000, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(2) 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 changes occurring in the Company's collection rates. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(3) Effective January 1, 1999, the Company adopted a policy of expensing certain incremental internal costs related to completed acquisitions as incurred. For the years ended December 31, 1999 and 2000, the Company expensed such costs which totaled approximately $706,000 and $30,000, respectively. See Note 2 to the Consolidated Financial Statements -- "Goodwill and Other Assets."

(4) At December 31, 1999 and 2000, the balance outstanding on the Company's line of credit was classified as a current liability. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

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

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.

During 2000, we completed five acquisitions and added three NICUs through our internal marketing activities. We have developed regional networks in the Seattle-Tacoma, Dallas-Fort Worth, Denver-Colorado Springs, Phoenix-Tucson, and Kansas City metropolitan areas, as well as Nevada, Southern California and Texas, 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.

On February 15, 2001, we announced that we had signed a definitive merger agreement to acquire MAGELLA Healthcare Corporation ("Magella"). Under the terms of the merger agreement, we would issue approximately 6.8 million shares of Pediatrix common stock in exchange for all outstanding capital stock (including shares of Magella non-voting common stock that will be issued upon the exercise immediately prior to the merger of substantially all outstanding warrants of Magella). In addition, we would assume certain obligations to issue up to 1.35 million shares of Pediatrix common stock pursuant to Magella's stock option plans. Pediatrix would repay an estimated $25 million of Magella's bank debt and assume $23.5 million of subordinated notes, which notes, subject to agreement by each holder thereof, would be convertible into approximately 1 million shares of Pediatrix common stock.

On the terms and subject to the conditions set forth in the merger agreement, Infant Acquisition Corporation, a wholly owned subsidiary of Pediatrix ("Sub"), would be merged with and into Magella (the "Merger"). At the effective time of the Merger, the separate existence of Sub would cease and Magella would continue as the surviving corporation and as a wholly owned subsidiary of Pediatrix. The Merger is intended to be a tax-free reorganization under Section 368(a) of the Internal Revenue Code of 1986, as amended, and would be treated as a purchase for financial accounting purposes. In the Merger, holders of shares of Magella stock outstanding immediately prior to the effective time of the Merger (other than shares to be canceled in accordance with the merger agreement and shares as to which appraisal rights have been properly exercised) would receive, in exchange for each share of Magella stock held by them, a fraction of a share of Pediatrix common stock equal to the product of (x) one-thirteenth times (y) (A) in the case of Magella common stock, one, or (B) in the case of any other class or series of Magella stock, that number of shares of Magella common stock into which one share of such other class or series of Magella stock is then convertible.

The board of directors of each company has approved the definitive agreement. Shareholders of Magella representing a majority of the outstanding shares of Magella voting stock have agreed to vote their shares in favor of the proposed merger and, immediately prior to the effective time of the Merger, to exercise warrants held by them to purchase Magella non-voting common stock. The proposed merger is subject to the approval of the shareholders of Pediatrix of the issuance of Pediatrix common stock in connection with the Merger.

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.

We seek to increase revenue at existing units in hospitals by providing support to areas of the hospital outside the NICU and PICU, particularly in the obstetrics, nursery and pediatric departments, where immediate accessibility to specialized care is critical. The following table indicates the point at which services originate, expressed as a percentage of net patient service revenue, exclusive of administrative fees and perinatal services, for the periods indicated.

	YEARS ENDED DECEMBER 31,		
	1998	1999	2000
NICU	85.6%	84.3%	83.3%
PICU and PEDS	2.0%	1.6%	1.6%
Other(1)	12.4%	14.1%	15.1%
	100.0%	100.0%	100.0%

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(1) Represents principally the percentage of net patient service revenue generated by physicians providing support to areas of hospitals outside the NICU and PICU.

PAYOR MIX

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 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. The following is a summary of our payor mix, expressed as a percentage of net patient service revenue, exclusive of administrative fees, for the period indicated.

	YEARS ENDED DECEMBER 31,		
	1998	1999	2000
Government	22%	21%	21%
Contracted Managed Care	39%	45%	48%
Other third parties	37%	33%	30%
Private pay	2%	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 40% of our total gross patient service revenue but only 21% of our net patient service revenue during 2000.

RESULTS OF OPERATIONS

The following discussion provides an analysis of our results of operations and 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.

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,		
	1998	1999	2000
Net patient service revenue	100%	100%	100%
Operating expenses:			
Salaries and benefits	61.3	65.6	73.1
Supplies and other operating expenses	7.6	9.3	11.0
Depreciation and amortization	4.7	5.3	5.7
Total operating expenses	73.6	80.2	89.8
Income from operations	26.4	19.8	10.2
Other income (expense), net	(0.2)	(1.1)	(1.4)
Income before income taxes	26.2	18.7	8.8
Income tax provision	10.5	7.7	4.3
Net income	15.7%	11.0%	4.5%

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 have 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, it has seen continued delays in settlement of receivables under appeal and increased instances of the payor denying any additional payment.

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

- disruption within our collection offices due to the billing inquiries and the transition to a regional collection structure. Over the last 18 months the billing and collection functions have realized significant disruption as we allocated resources within those departments to obtain information requested in the billing inquiries. Additionally, we have 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, $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 the entire current period and the entire comparable period. 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 is 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.

Salaries and benefits increased $28.8 million, or 19.3%, to $177.7 million for the year ended December 31, 2000, as compared with $148.9 million for the same period in 1999. Of this $28.8 million increase, $19.8 million, or 68.8%, was attributable to hiring new physicians and other clinical staff, to support new unit growth and volume growth at existing units. The remaining $9.0 million was primarily attributable to an increase in resources for: (i) billing and collections as we continued our regionalization of collection activities; (ii) administrative support at the practice level; and (iii) information services for the development and support of clinical and operational systems. Supplies and other operating expenses increased $5.6 million, or 26.7%, to $26.7 million for the year ended December 31, 2000, as compared with $21.1 million for the same period in 1999. The increase was primarily the result of additional rent expense related to our corporate and regional offices, the addition of new outpatient offices, increased costs related to regional collection offices, and increased legal fees related to government investigations. 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 collection activities. We believe that we have stabilized the revenue for services provided and have completed a significant portion of our regionalization activities. Based upon this, we expect that the operating margin for 2001 will remain consistent or increase from 2000 levels.

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 is due to the growth of non-deductible amounts associated with goodwill as a percentage of pretax income. We anticipate that the effective tax rate for 2001 will decline to approximately 45%.

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 same period in 1999.

YEAR ENDED DECEMBER 31, 1999 AS COMPARED TO YEAR ENDED DECEMBER 31, 1998

We reported net patient service revenue of $227.0 million for the year ended December 31, 1999, as compared with $185.4 million in 1998, a growth rate of 22.4%. This growth is attributable to new units at which we provide services as a result of acquisitions. Same unit net patient service revenue decreased approximately $7.9 million, or 5.3% for the year ended December 31, 1999, compared to the year ended December 31, 1998. The decline in same unit patient service revenue is primarily the result of a lower acuity level of patient service billed in 1999 as compared to 1998. Services provided at these units in 1999 actually increased over 1998. Same units are those units at which we provided services for the entire current period and the entire comparable period.

Salaries and benefits increased $35.2 million, or 30.9%, to $148.9 million for the year ended December 31, 1999, as compared with $113.7 million for the same period in 1998. Of this increase, $20.5 million, or 58.2%, was attributable to hiring new physicians, primarily to support new unit growth, and the remaining $14.7 million was primarily attributable to increased support staff and resources added in the areas of nursing, management and billing and reimbursement. During 1999, we continued to invest in the infrastructure required to manage and grow Pediatrix into the future. Supplies and other operating expenses increased $7.0 million, or 49.8%, to $21.1 million for the year ended December 31, 1999, as compared with $14.1 million for the year ended December 31, 1998. The increase was primarily the result of: (i) the addition of new outpatient offices; (ii) increased legal fees related to government investigations (see "Item 3. Legal Proceedings"); and (iii) new units. Outpatient services require a higher level of office supplies than do inpatient services. Depreciation and amortization expense increased by $3.4 million, or 39.1%, to $12.1 million for the year ended December 31, 1999, as compared with $8.7 million for the year ended December 31, 1998, primarily as a result of amortization of goodwill in connection with acquisitions.

Income from operations decreased $4.0 million, or 8.1%, to $45.0 million for the year ended December 31, 1999, as compared with $49.0 million for the year ended December 31, 1998.

We recorded net interest expense of approximately $2.4 million for the year ended December 31, 1999, as compared with net interest expense of approximately $449,000 for the year ended December 31, 1998. The increase in interest expense in 1999 is primarily the result of funds used for the acquisition of physician practices and the use of our line of credit for such purposes.

The effective income tax rate was approximately 41.2% and 40.0% for the years ended December 31, 1999 and 1998, respectively. The increase was the result of a growth in non-deductible amounts associated with goodwill as a percentage of pretax income.

Net income decreased 14.0% to $25.0 million for the year ended December 31, 1999, as compared with $29.1 million for the same period in 1998. Diluted net income per common and common equivalent share decreased to $1.58 for the year ended December 31, 1999, compared to $1.82 for the same period in 1998.

QUARTERLY RESULTS

The following table presents certain unaudited quarterly financial data for each of the quarters in the years ended December 31, 1999 and 2000. 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 significant number of employees, including physicians, at Pediatrix who 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 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.

	1999 CALENDAR QUARTERS				2000 CALENDAR QUARTERS			
	FIRST	SECOND	THIRD	FOURTH	FIRST	SECOND	THIRD	FOURTH
	(In thousands, except for per share data)							
Net patient service revenue(1)	$53,826	$56,767	$57,921	$58,528	$59,409	$55,178	$64,272	$64,216
Operating expenses:								
Salaries and benefits	34,390	35,321	39,329	39,875	43,303	44,238	45,420	44,757
Supplies and other operating expenses	4,526	5,076	5,774	5,677	5,721	6,677	7,002	7,275
Depreciation and amortization	2,666	2,971	3,168	3,263	3,336	3,435	3,478	3,561
Total operating expenses	41,582	43,368	48,271	48,815	52,360	54,350	55,900	55,593
Income from operations	12,244	13,399	9,650	9,713	7,049	828	8,372	8,623
Other expense, net	(160)	(380)	(905)	(956)	(907)	(941)	(893)	(672)
Income (loss) before income taxes	12,084	13,019	8,745	8,757	6,142	(113)	7,479	7,951
Income tax provision	4,834	5,207	3,760	3,766	2,764	178	3,650	3,881
Net income (loss)	$7,250	$7,812	$4,985	$4,991	$3,378	$(291)	$3,829	$4,070
Per share data:								
Net income (loss) per common and common equivalent share:								
Basic	$ .47	$ .50	$ .32	$ .32	$ .22	$ (.02)	$ .24	$ .26
Diluted	$ .45	$ .50	$ .32	$ .32	$ .22	$ (.02)	$ .24	$ .25

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(1) The Company is continuously adding new physician practices as a result of acquisitions and internal marketing activities. The impact of such acquisitions and internal marketing activities on quarterly net patient service revenue, as compared to the prior quarter, was not significant in 1999 or 2000.

While the first half of 1999 was impacted by the items noted above, the quarterly results in the second half of 1999 were negatively impacted by the increase in the utilization in non-critical care codes, which results in lower net patient service revenue for us. 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.

LIQUIDITY AND CAPITAL RESOURCES

During 2000, we completed the acquisition of five physician practices, using approximately $9 million in cash. These acquisitions were funded principally by cash generated from operations. As of December 31, 2000, we had approximately $3.1 million of cash and cash equivalents on hand as compared to $825,000 at December 31, 1999.

As of December 31, 2000, we had working capital of approximately $2.1 million, an increase of $18.5 million from the working capital deficit of $16.4 million at December 31, 1999.

We generated cash flow from operating activities of $33.8 million, $24.0 million and $36.1 million for the years ended December 31, 1998, 1999 and 2000, respectively. The decline in cash provided from operating activities in 1999, as compared to 1998, was the result of (i) an increase in the days' revenue outstanding in accounts receivable, (ii) an increase in income taxes paid; and (iii) a decline in net income for the year. 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. We expect that we will be able to continue the decline of days revenue outstanding in accounts receivable which will have a positive impact on cash provided from operating activities in 2001.

During 2000, we refinanced our $75 million line of credit, which matured on September 30, 2000, with an amended and restated credit agreement in the amount of $75 million, which matures on September 30, 2001. At our option, the credit agreement (the "Line of Credit") bears interest at LIBOR plus 2.0% or prime. The Line of Credit is collateralized by substantially all the assets of Pediatrix, its subsidiaries and its affiliated practices, and matures on September 30, 2001. We had $23.5 million outstanding under the Line of Credit at December 31, 2000 as compared to $48.4 million at December 31, 1999. We are required to maintain certain financial covenants including a requirement that we maintain a minimum level of tangible net worth, as defined under the terms of the amended and restated credit agreement. We are in compliance with such financial covenants at December 31, 2000.

We are currently evaluating several options to obtain financing beyond the current maturity of the Line of Credit. However, there can be no assurance that we will be able to obtain financing in amounts and on terms substantially similar to the Line of Credit on or prior to September 30, 2001.

Our annual capital expenditures have typically been for computer hardware and software and for furniture, equipment and improvements at the corporate headquarters. During the year ended December 31, 2000, capital expenditures amounted to approximately $4.3 million.

Provided that we are able to secure financing in amounts similar to those currently available under our Line of Credit, we anticipate that funds generated from operations, together with cash on hand, and funds available under such financing will be sufficient to meet our working capital requirements and finance required capital expenditures for at least the next 12 months.

Beginning in the second quarter of 1999, we realized an increase utilization of non-critical care codes which resulted in a decline in the reimbursement for services provided. We believe that usage of non-critical care codes has leveled out and does not expect to realize any further reduction in revenue due to the usage of these codes. Additionally, we have continued to realize a decline in the reimbursement from both contracted and non-contracted payors. While we continue to appeal payment rates and negotiate with payors for higher reimbursement, there can be no assurance that we will be able to increase reimbursement rates or stop the decline in rates.

SUBSEQUENT EVENTS

As discussed above, we announced that we signed a definitive merger agreement with Magella Healthcare Corporation. This transaction, which is anticipated to close in the second quarter of 2001, is expected to have a positive impact on our results of operations. During 2000, Magella generated net patient service revenue of $79.4 million and net income of $9.0 million. The following table sets forth certain information related to the results of operations expressed as a percentage of our net patient service revenue (patient billings net of contractual adjustments and uncollectibles, and including administrative fees) for both Pediatrix on a stand-alone basis and the unaudited pro forma combined results of operations including Magella:

	YEAR ENDED DECEMBER 31, 2000	
	PEDIATRIX	PRO FORMA COMBINED
Net patient service revenue	100%	100%
Operating expenses:		
Salaries and benefits	73.1	69.7
Supplies and other operating expenses	11.0	10.5
Depreciation and amortization	5.7	7.5
Total operating expenses	89.8	87.7
Income from operations	10.2	12.3
Other income (expense), net	(1.4)	(2.1)
Income before income taxes	8.8	10.2
Income tax provision	4.3	5.3
Net income	4.5%	4.9%

The pro forma combined information is based upon the historical financial statements of Pediatrix and the historical financial statements of Magella. The pro forma information has been prepared to illustrate the effect of the merger utilizing the purchase method of accounting and was prepared as though the merger had occurred on January 1, 2000. The pro forma combined information includes the impact of the amortization of goodwill of approximately $4.2 million generated as a result of the Merger.

Pediatrix has filed a Registration Statement on SEC Form S-4 in connection with the Merger. The Registration Statement and the Proxy Statement/Prospectus included therein contain important information about Pediatrix, Magella, the Merger and related matters. Investors and security holders are urged to read the Registration Statement and the Proxy Statement/Prospectus carefully.

ACCOUNTING MATTERS

Effective January 1, 1999, we adopted a policy of expensing certain incremental internal costs directly related to completed acquisitions as incurred. For the year ended December 31, 1999 and 2000, we expensed such costs, which totaled approximately $706,000 and $30,000, respectively. Historically, we had capitalized these costs as a component of the acquisition costs. Had these costs been expensed for the year ended December 31, 1998, the impact on net income would have been approximately $1.4 million.

In March 2000, the Financial Accounting Standards Board (the "FASB") issued Interpretation No. 44 ("FIN No. 44"), "Accounting for Certain Transactions Involving Stock Compensation." FIN No. 44 provides clarification and guidance on Accounting Principles Board Opinion No. 25 ("APB No. 25"), "Accounting for Stock Issued to Employees." The most significant issues covered by FIN No. 44 include the clarification of the term "employee" for purposes of applying APB No. 25 and the accounting for a modification to a previously fixed stock option or award, including options that have been repriced. We follow the provisions of APB No. 25 and the issuance of FIN No. 44 did not have a material impact on our results of operations. See Note 2 to the Consolidated Financial Statements - "Stock Options" and Note 12 to the Consolidated Financial Statements "Stock Option Plan and Employee Stock Purchase Plan."

In December 1999, the U.S. Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 provides guidance in applying generally accepted accounting principles to revenue recognition in financial statements. SAB 101 provides that absent any existing industry-specific guidance on revenue recognition, the existing authoritative accounting standards as well as the broad revenue recognition criteria specified in the FASB's conceptual framework should be followed. Based on these existing standards and the guidance provided in SAB 101, revenue should not be recognized until it is realized or realizable and earned. We recognize revenue at the time services are provided, which is consistent with the revenue recognition guidance provided in SAB 101, therefore, SAB 101 did not have a material impact on our results of operations. See Note 2 to the Consolidated Financial Statements - "Revenue Recognition."

In June 1998, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which is now effective for all quarters of all fiscal years beginning after June 15, 2000. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. We adopted SFAS No. 133 on January 1, 2001. The adoption of SFAS No. 133 did not have a significant impact on our statement of financial position.

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 the Line of Credit is $75 million. At our option, the Line of Credit bears interest at either LIBOR plus 2% or prime. The leases bear interest at LIBOR-based variable rates. The outstanding principal balance on the Line of Credit was $23.5 million at December 31, 2000. The outstanding balances related to the operating leases totaled approximately $17.3 million at December 31, 2000. Considering the total outstanding balances under these instruments at December 31, 2000 of approximately $40.8 million, a 1% change in interest rates would result in an impact to pre-tax earnings of approximately $408,000 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 present fairly, in all material respects, the financial position of Pediatrix Medical Group, Inc. and subsidiaries (the "Company") at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years then ended, 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) on page 64 presents fairly, in all material respects, the information set forth therein as of and for each of the years ended December 31, 2000 and 1999 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 26, 2001, except
as to Note 15 which
is as of February 15, 2001

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Pediatrix Medical Group, Inc.

We have audited the consolidated statements of income, shareholders' equity and cash flows of Pediatrix Medical Group, Inc. and subsidiaries (the "Company") for the year ended December 31, 1998. In connection with our audit of the consolidated financial statements, we also have audited the financial statement schedule as of December 31, 1998. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Pediatrix Medical Group, Inc. and subsidiaries for the year ended December 31, 1998 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG LLP

Fort Lauderdale, Florida
March 22, 1999

PEDIATRIX MEDICAL GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	December 31,	
	1999	2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 825	$ 3,075
Accounts receivable, net	77,726	69,133
Prepaid expenses	468	831
Other assets	962	836
Total current assets	79,981	73,875
Property and equipment, net	13,567	9,629
Goodwill and other assets, net	241,242	241,230
Total assets	$334,790	$324,734
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of note payable	$ 200	$ --
Line of credit	48,393	23,500
Accounts payable and accrued expenses	29,099	29,878
Income taxes payable	92	3,266
Deferred income taxes	18,549	15,123
Total current liabilities	96,333	71,767
Note payable	2,150	--
Deferred income taxes	5,111	7,197
Deferred compensation	2,309	3,870
Total liabilities	105,903	82,834
Commitments and contingencies		
Shareholders' equity:		
Preferred stock; $.01 par value, 1,000,000 shares authorized, none issued and outstanding at December 31, 1999 and 2000	--	--
Common stock; $.01 par value, 50,000,000 shares authorized at December 31, 1999 and 2000, 15,625,265 and 15,877,815 shares issued and outstanding at December 31, 1999 and 2000, respectively	156	159
Additional paid-in capital	133,516	135,540
Retained earnings	95,215	106,201
Total shareholders' equity	228,887	241,900
Total liabilities and shareholders' equity	$334,790	$324,734

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,		
	1998	1999	2000
Net patient service revenue	$ 185,422	$ 227,042	$ 243,075
Operating expenses:			
Salaries and benefits	113,748	148,915	177,718
Supplies and other operating expenses	14,050	21,053	26,675
Depreciation and amortization	8,673	12,068	13,810
Total operating expenses	136,471	182,036	218,203
Income from operations	48,951	45,006	24,872
Investment income	564	296	358
Interest expense	(1,013)	(2,697)	(3,771)
Income before income taxes	48,502	42,605	21,459
Income tax provision	19,403	17,567	10,473
Net income	$ 29,099	$ 25,038	$ 10,986
Per share data:			
Net income per common and common equivalent share:			
Basic	$ 1.91	$ 1.61	$ .70
Diluted	$ 1.82	$ 1.58	$ .68
Weighted average shares used in computing net income per common and common equivalent share:			
Basic	15,248	15,513	15,760
Diluted	15,987	15,860	16,053

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, 1997	15,141	$ 151	$ 122,391	$ 41,078	$ 163,620
Net income	--	--	--	29,099	29,099
Common stock issued	259	3	5,833	--	5,836
Tax benefit related to employee stock options and stock purchase plans	--	--	2,496	--	2,496
Balance at December 31, 1998	15,400	154	130,720	70,177	201,051
Net income	--	--	--	25,038	25,038
Common stock issued	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
Net income	--	--	--	10,986	10,986
Common stock issued	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

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,		
	1998	1999	2000
Cash flows from operating activities:			
Net income	$ 29,099	$ 25,038	$ 10,986
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation and amortization	8,673	12,068	13,810
Deferred income taxes	5,096	5,729	(1,340)
Loss on sale of assets	--	--	15
Changes in assets and liabilities:			
Accounts receivable	(19,826)	(16,127)	8,593
Prepaid expenses and other assets	8	(42)	(237)
Other assets	282	(236)	(73)
Accounts payable and accrued expenses	5,344	646	779
Income taxes payable	5,089	(3,054)	3,616
Net cash provided from operating activities	33,765	24,022	36,149
Cash flows from investing activities:			
Physician group acquisition payments	(88,939)	(51,443)	(9,033)
Purchase of investments	(9,939)	--	--
Proceeds from sale of investments	36,982	--	--
Purchase of subsidiary stock	--	(17,151)	--
Purchase of property and equipment	(3,267)	(3,608)	(4,346)
Proceeds from sale of assets	--	--	5,138
Net cash used in investing activities	(65,163)	(72,202)	(8,241)
Cash flows from financing activities:			
Borrowings (payments) on line of credit, net	7,850	40,543	(24,893)
Payments on note payable	(200)	(200)	(2,350)
Proceeds from issuance of common stock	5,836	2,255	1,585
Proceeds from issuance of subsidiary stock	--	5,757	--
Net cash provided from (used in) financing activities	13,486	48,355	(25,658)
Net (decrease) increase in cash and cash equivalents	(17,912)	175	2,250
Cash and cash equivalents at beginning of year	18,562	650	825
Cash and cash equivalents at end of year	$ 650	$ 825	$ 3,075
Supplemental disclosure of cash flow information:			
Cash paid for:			
Interest	$ 990	$ 2,338	$ 3,892
Income taxes	$ 10,202	$ 14,910	$ 8,135

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE 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 24 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 healthcare professionals to bill and collect the charges for medical services rendered by the Company's healthcare professionals; and b) administrative fees whereby the Company is assured a minimum revenue level.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF PRESENTATION

The financial statements include all the accounts of Pediatrix and its subsidiaries consolidated with the accounts of the professional associations (the "PA Contractors") with which the Company currently has specific management billing arrangements. The financial statements of the PA Contractors are consolidated with Pediatrix because Pediatrix has unilateral control over the assets and non-medical operations of the PA Contractors. Control of the assets and operations of the PA Contractors by Pediatrix is permanent and other than temporary because the PA Contractors' agreements with Pediatrix provide that the term of the arrangements are permanent, subject only to termination by Pediatrix, and that the PA Contractors shall not terminate the agreements without the prior written consent of Pediatrix. Also, the agreements provide that Pediatrix or its assigns has the right, but not the obligation, to purchase the stock of the PA Contractors. All significant intercompany and interaffiliate accounts and transactions have been eliminated.

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 adjustments and uncollectibles on accounts receivable, and 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

performed and reimbursements by government-sponsored healthcare 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% of net accounts receivable at both December 31, 1999 and 2000.

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 maintains substantially all its cash and cash equivalents, which consist principally of demand deposits and amounts on deposit in money market accounts, 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 and three to seven years for medical equipment, computer equipment, software and furniture. 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.

GOODWILL AND OTHER ASSETS

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, and is amortized on a straight-line basis over 25 years.

Effective January 1, 1999, the Company adopted a policy of expensing certain incremental internal costs directly related to completed acquisitions as incurred. For the years ended December 31, 1999 and 2000, the Company expensed such costs which totaled approximately $706,000 and $30,000, respectively. Historically, the Company had capitalized these costs as a component of the acquisition costs. Had these costs been expensed for the year ended December 31, 1998, the impact on net income would have been approximately $1.4 million.

LONG-LIVED ASSETS

The Company evaluates goodwill, long-lived assets 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 or the value of expected future cash flows on an

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

undiscounted basis. Goodwill, long-lived assets 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, 2000.

PROFESSIONAL LIABILITY COVERAGE

The Company maintains professional liability coverage, which indemnifies the Company and its healthcare 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.

NET INCOME PER SHARE

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

COMPREHENSIVE INCOME

The components of comprehensive income not reflected in the Company's net income are related to unrealized gains and losses on investments. For the years ended December 31, 1998, 1999 and 2000, the net impact of recording these items was ($89,000), $0 and $0, respectively.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

FOURTH QUARTER ADJUSTMENTS

During the fourth quarter of 1999, the Company recorded an adjustment to reduce the Company's elective contribution to its qualified contributory savings plan. Approximately $600,000 of this adjustment related to expenses recorded in prior quarters (see Note 10).

3. ACCOUNTS RECEIVABLE AND NET PATIENT SERVICE REVENUE:

Accounts receivable consists of the following:

	December 31,	
	1999	2000
	(In Thousands)	
Gross accounts receivable	$ 180,205	$ 171,082
Allowance for contractual adjustments and uncollectibles	(102,479)	(101,949)
	$ 77,726	$ 69,133

Net patient service revenue consists of the following:

	Years Ended December 31,		
	1998	1999	2000
		(In Thousands)	
Gross patient service revenue	$ 386,593	$ 485,917	$ 545,758
Contractual adjustments and uncollectibles	(209,817)	(272,812)	(320,584)
Hospital contract administrative fees	8,646	13,937	17,901
	$ 185,422	$ 227,042	$ 243,075

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 is 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 accounts receivable. This decline in collection rates is 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.

4. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	December 31,	
	1999	2000
	(In Thousands)	
Land and land improvements	$ 1,493	$ --
Building	4,323	33
Equipment and furniture	13,482	17,188
	19,298	17,221
Accumulated depreciation	(5,731)	(7,592)
	$ 13,567	$ 9,629

The Company recorded depreciation expense of approximately $1,492,000, $2,208,000 and $3,131,000 for the years ended December 31, 1998, 1999 and 2000, respectively.

5. GOODWILL AND OTHER ASSETS:

Goodwill and other assets consists of the following:

	December 31,	
	1999	2000
	(In Thousands)	
Goodwill	$ 258,812	$ 267,786
Physician agreements	1,692	1,692
Other	3,805	5,749
	264,309	275,227
Accumulated amortization	(23,067)	(33,997)
	$ 241,242	$ 241,230

During 1999, the Company completed the acquisition of 11 physician group practices. Total consideration and related costs for these acquisitions approximated $51.4 million in cash and 1,000,000 shares of stock in a subsidiary of the Company (See Note 13). In connection with these transactions, the Company recorded assets totaling approximately $55 million, principally goodwill.

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.

The Company has accounted for the transactions using the purchase method of accounting and the excess of cost over fair value of net assets acquired is being amortized on a straight-line basis over 25 years.

The results of operations of the acquired companies have been included in the consolidated financial statements from the dates of acquisition.

5. GOODWILL AND OTHER ASSETS, CONTINUED:

The following unaudited pro forma information combines the consolidated results of operations of the Company and the companies acquired during 1999 and 2000 as if the acquisitions had occurred on January 1, 1999:

	Years Ended December 31,	
	1999	2000
	(in thousands, except per share data)	
Net patient service revenue	$ 240,839	$ 243,828
Net income	26,222	11,128
Net income per share:		
Basic	$ 1.69	$ .71
Diluted	$ 1.65	$ .69

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,	
	1999	2000
	(in thousands)	
Accounts payable	$ 9,664	$ 9,662
Accrued salaries and bonuses	4,366	6,960
Accrued payroll taxes and benefits	4,258	4,315
Accrued professional liability coverage	7,134	5,888
Other accrued expenses	3,677	3,053
	$29,099	$29,878

7. NOTE PAYABLE AND LINE OF CREDIT:

Note payable consists of the following:

	December 31,	
	1999	2000
	(in thousands)	
Mortgage payable to bank	$ 2,350	$ --
Current portion	(200)	--
	$ 2,150	$ --

On December 1, 2000, the Company sold its former executive offices and the proceeds were used to pay off the mortgage loan collateralized by the property. The mortgage loan bore interest at prime and had an original maturity date of June 30, 2003.

7. NOTE PAYABLE AND LINE OF CREDIT, CONTINUED:

During 2000, the Company refinanced its $75 million line of credit, which matured on September 30, 2000, with an amended and restated credit agreement in the amount of $75 million, which matures on September 30, 2001. At the Company's option, the credit agreement (the "Line of Credit") bears interest at LIBOR plus 2.0% or prime. The Line of Credit is collateralized by substantially all the assets of the Company. The Company had $23.5 million outstanding on the Line of Credit at December 31, 2000.

The Company is required to maintain certain financial covenants including a requirement that the Company maintain a minimum level of tangible net worth, as defined under the terms of the amended and restated credit agreement. The Company was in compliance with such financial covenants at December 31, 2000.

8. INCOME TAXES:

The components of the income tax provision are as follows:

	December 31,		
	1998	1999	2000
	(in thousands)		
Federal:			
Current	$ 12,339	$ 11,316	$ 11,463
Deferred	4,146	5,116	(1,265)
	16,485	16,432	10,198
State:			
Current	1,964	522	350
Deferred	954	613	(75)
	2,918	1,135	275
Total	$ 19,403	$ 17,567	$ 10,473

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 40% for the year ended December 31, 1998, 41.2% for the year ended December 31, 1999, and 48.8% for the year ended December 31, 2000. The differences between the effective rate and the U.S. federal income tax statutory rate are as follows:

	December 31,		
	1998	1999	2000
	(in thousands)		
Tax at statutory rate	$ 16,975	$ 14,912	$ 7,511
State income tax, net of federal benefit	1,897	738	179
Amortization	1,482	2,061	2,347
Other, net	(951)	(144)	436
Income tax provision	$ 19,403	$ 17,567	$ 10,473

8. INCOME TAXES, CONTINUED:

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

	December 31, 1999			December 31, 2000		
	Total	Current	Non Current	Total	Current	Non Current
	(in thousands)					
Allowance for uncollectible accounts	$ 86	$ 86	$ --	$ 557	$ 557	$ --
Net operating loss carryforward	2,278	2,278	--	2,518	2,518	--
Amortization	1,909	--	1,909	1,663	--	1,663
Operating reserves and accruals	3,795	3,795	--	4,525	4,525	--
Other	1,852	1,186	666	2,249	1,575	674
Total deferred tax assets	9,920	7,345	2,575	11,512	9,175	2,337
Accrual to cash adjustment	(24,670)	(24,670)	--	(23,719)	(23,719)	--
Property and equipment	(3,302)	--	(3,302)	(3,690)	--	(3,690)
Receivable discounts	(2,319)	(2,319)	--	(580)	(580)	--
Amortization	(4,872)	--	(4,872)	(5,844)	--	(5,844)
Other	1,583	1,095	488	1	1	--
Total deferred tax liabilities	(33,580)	(25,894)	(7,686)	(33,832)	(24,298)	(9,534)
Net deferred tax liability	$(23,660)	$(18,549)	$ (5,111)	$(22,320)	$(15,123)	$ (7,197)

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 $2,496,000, $792,000 and $442,000 for the years ended December 31, 1998, 1999 and 2000, respectively.

The Company has net operating loss carryforwards for federal and state tax purposes totaling approximately $2,993,000, $5,992,000, and $6,668,000 at December 31, 1998, 1999, and 2000, respectively, expiring at various times commencing in 2009.

9. COMMITMENTS AND CONTINGENCIES:

In February 1999, several federal securities law class actions were commenced against the Company and three of its principal officers in United States District Court for the Southern District of Florida. The plaintiffs purport to represent a class of all open market purchasers of the Company's common stock between March 31, 1997, and various dates through and including April 2, 1999. They claim that during that period, the Company violated the antifraud provisions of the federal securities laws by issuing false and misleading statements concerning its billing practices and results of operations. The plaintiffs seek damages in an undetermined amount based on the alleged decline in the value of the common stock after the Company, in early April 1999, disclosed the initiation of inquiries by state investigators into its billing practices. The plaintiff class has been certified, and the case is now in the discovery stage. No trial date has been set, but on September 11, 2000, the court set a pre-trial conference for May 25, 2001. Under the local rules, all pre-trial activities, including discovery and motions for summary judgment, must be completed before that date, and trial may be set for anytime thereafter. Also pursuant to the local rules, the parties have agreed to engage in a mediation, but to date those efforts have been unsuccessful. Although the Company continues to believe that the claims are without merit and intends to defend them vigorously, if the Company is unsuccessful in defending class action lawsuits that have been brought against it, damages awarded could exceed the limits of the Company's insurance coverage and have a material adverse effect on the Company's financial condition, results of operations and liquidity.

9. COMMITMENTS AND CONTINGENCIES, CONTINUED:

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 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 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, 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. Although the Company believes that the resolution of the Florida and Arizona investigations on these terms supports the propriety of our billing practices, the investigation in Colorado is ongoing and these 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 further believes that billing audits, inquiries and investigations from government agencies will continue to occur in the ordinary course of its business and in the healthcare services industry in general and from time to time, the Company may be subject to additional billing audits and inquiries by government and other payors.

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

The Company leases an aircraft and 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 lease agreement, including a requirement that the Company maintain a minimum level of tangible net worth. The corporate office lease and the aircraft lease both bear interest at Libor-based variable rates.

9. COMMITMENTS AND CONTINGENCIES, CONTINUED:

Rent expense for the years ended December 31, 1998, 1999 and 2000 was approximately $2,172,000, $3,063,000 and $4,386,000, respectively. At December 31, 2000, future minimum lease payments are as follows:

	(in thousands)
2001	$ 4,213
2002	3,819
2003	10,393
2004	2,419
2005	1,722
Thereafter	2,750
	$25,316

10. RETIREMENT PLAN:

The Company has a qualified contributory savings plan (the "Plan") as allowed under Section 401(k) of the Internal Revenue Code. 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 contributed approximately $2,363,000, $1,627,000 and $1,807,000 to the Plan during the years ended December 31, 1998, 1999 and 2000, 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, 1998, 1999 and 2000 are as follows:

	Years Ended December 31,		
	1998	1999	2000
	(in thousands, except for per share data)		
Basic net income per share:			
Net Income	$29,099	$25,038	$10,986
Weighted average common shares outstanding	15,248	15,513	15,760
Basic net income per share	$ 1.91	$ 1.61	$ .70
Diluted net income per share:			
Weighted average common shares outstanding	15,248	15,513	15,760
Stock options	739	347	293
Weighted average common and potential common shares outstanding	15,987	15,860	16,053
Net income	$29,099	$25,038	$10,986
Diluted net income per share	$ 1.82	$ 1.58	$ .68

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 1999, the Company's Board of Directors approved an amendment to increase the number of shares authorized to be issued under the Option Plan from 4,250,000 to 5,500,000. At December 31, 2000, 286,552 shares were available for future grants.

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, 1997	2,713,230	$ 2.84-$41.38	$23.28	2003-2007
Granted	868,000	$32.50-$45.13	$38.80	
Canceled	(43,034)	$19.25-$36.00	$23.37	
Exercised	(219,025)	$ 5.00-$40.38	$20.02	
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
Exercisable at:				
December 31, 1998	1,750,281	$ 2.84-$41.38	$19.43	
December 31, 1999	2,131,235	$ 5.00-$45.13	$23.49	
December 31, 2000	2,666,022	$ 5.00-$61.00	$23.87	

Significant option groups outstanding at December 31, 2000 and related price and life information follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Exercisable	Weighted Average Exercise Price
$ 5.00-$ 7.88	1,476,220	$ 7.01	7.6	509,760	$ 6.62
$10.00-$14.56	495,884	$11.72	6.7	263,551	$10.86
$15.25-$17.75	150,000	$17.00	9.9	--	$ --
$18.88-$22.06	992,211	$19.59	6.9	685,424	$19.91
$24.00-$29.00	270,999	$28.83	6.3	267,666	$28.88
$30.88-$33.88	221,251	$32.64	6.8	174,254	$32.77
$36.00-$39.13	565,199	$36.64	6.1	481,699	$36.65
$40.38-$45.13	258,667	$42.07	6.4	242,000	$41.86
$61.00	125,000	$61.00	8.1	41,668	$61.00
	4,555,431	$20.28	7.1	2,666,022	$23.87

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, 41,359, 128,848 and 224,716 shares were issued during 1998, 1999 and 2000, respectively. At December 31, 2000, the Company has an additional 544,989 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,		
	1998	1999	2000
	(in thousands, except per share data)		
Net income	$23,328	$15,697	$4,016
Net income per share:			
Basic	$ 1.53	$ 1.01	$ 0.25
Diluted	$ 1.50	$ 1.01	$ 0.25

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 1998, 1999 and 2000: dividend yield of 0% for all years; expected volatility of 42%, 82% and 82%, respectively, and risk-free interest rates of 4.8%, 5.2% and 6.4%, respectively, for options with expected lives of five years (officers and physicians of the Company) and 5.2%, 5.7% and 6.3%, 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, valued at $1.00 per share, the fair value per share, in a private placement to certain officers and employees of the Company. These officers and employees were required to meet certain financial qualifications to be considered accredited investors and become eligible to participate in the offering. The subsidiary used the proceeds from the offering to repurchase shares previously issued to the Company.

In July 1999, the Company repurchased 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 approximately 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 book value of the shares acquired of 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 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).

15. SUBSEQUENT EVENT:

On February 15, 2001, the Company announced that it signed a definitive merger agreement with Magella Healthcare Corporation ("Magella").

Under the terms of the agreement, Pediatrix would issue approximately 6.9 million shares of common stock in exchange for all outstanding capital stock (including shares of Magella non-voting common stock that will be issued upon the exercise immediately prior to the merger of substantially all outstanding warrants of Magella). In addition, Pediatrix would assume certain obligations to issue up to 1.39 million shares of common stock pursuant to Magella stock option plans. Pediatrix would repay an estimated $25 million of Magella bank debt and assume $23.5 million of convertible subordinated notes which would be convertible into approximately 1 million shares of Pediatrix common stock.

The board of directors of each company has approved the definitive agreement. Shareholders of Magella representing a majority of the outstanding shares of Magella voting stock have agreed to vote their shares in favor of the proposed merger. The proposed merger is subject to the approval of the shareholders of Pediatrix. On February 13, 2001, the proposed merger received early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

This merger will be accounted for using the purchase method of accounting. The purchase price to be allocated, including direct transaction costs, is approximately $164.3 million. Pediatrix anticipates that the transaction will close during the second quarter of 2001.

In the event that the merger is not consummated, the Company may be liable for certain termination fees in accordance with the merger agreement.

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

The accounting firm of PricewaterhouseCoopers LLP ("PwC") (formerly Coopers & Lybrand L.L.P.) was previously engaged as the principal independent accountants during fiscal years 1996 and 1997 and throughout fiscal year 1998. As a result of an accounting and auditing enforcement administrative proceeding in which the Securities and Exchange Commission (the "SEC") determined that PwC had violated the auditor independence rules, the Company also engaged KPMG LLP ("KPMG") in January 1999 to audit the Company's 1998 financial statements. On March 29, 1999, the Company's Audit Committee dismissed PwC, and KPMG became the Company's principal independent accountants.

On December 13, 1999, the Company dismissed the accounting firm of KPMG as the Company's principal accountant and retained the service of PwC as its principal accountant. The decision to change accountants was approved by the Company's Audit Committee.

KPMG's report on the financial statements of the Company for fiscal year 1998 (the only year for which KPMG has issued a report on the financial statements of the Company) did not contain an adverse opinion or disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope, or accounting principles.

There were no disagreements between the Company and KPMG on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of KPMG, would have caused it to make reference to the subject matter of the disagreement in connection with its audit report. However, during the process of conducting the audit of the Company's 1998 financial statements, KPMG questioned the historical accounting of capitalizing certain acquisition-related bonus costs. The Company discussed the historical accounting with KPMG and PwC and sought clarification from the SEC regarding this accounting matter. The SEC did not require the Company to restate any financial statements provided that the Company agreed to prospectively adopt an accounting policy to expense all such bonuses for transactions occurring on or after January 1, 1999, which policy was adopted by the Company effective January 1, 1999.

Also during the audit of the Company's 1998 financial statements, KPMG noted, in a report dated March 22, 1999, certain reportable conditions in the Company's internal control procedures regarding residual debit balances and overpayments due to patients and payors. These conditions were reported to and discussed with the Company's Audit Committee. As a result of these conditions, KPMG expanded the scope of its audit to ensure that the information contained in the Company's financial statements was fairly stated in accordance with generally accepted accounting principles. KPMG issued an unqualified opinion on the Company's 1998 financial statements. Subsequent to the completion of the 1998 audit, the Company has strengthened its controls over these areas through process change and the dedication of appropriate personnel.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

EXECUTIVE OFFICERS AND DIRECTORS

Pediatrix's executive officers and directors are as follows:

Name	Age	Position With the Company
Roger J. Medel, M.D., M.B.A.	54	Chief Executive Officer and Director
Kristen Bratberg	39	President and Nominee for Director
Joseph M. Calabro	40	Chief Operating Officer
Karl B. Wagner	35	Chief Financial Officer
Brian T. Gillon	35	Executive Vice President, Corporate Development, General Counsel and Secretary
G. Eric Knox, M.D.(1)	58	Director
M. Douglas Cunningham, M.D.	61	Director
Cesar L. Alvarez (2)(3)	53	Director
Michael B. Fernandez (2)(3)	48	Director
Waldemar A. Carlo, M.D.(4)	48	Director

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(1) Dr. Knox will no longer serve as a member of Pediatrix's board of directors once his successor is elected at the 2001 annual shareholders' meeting.
(2) Member of Compensation Committee.
(3) Member of Audit Committee.
(4) Effective January 30, 2001, Dr. Carlo became a member of the Compensation Committee and the Audit Committee.

ROGER J. MEDEL, M.D., M.B.A. has held the position of Chief Executive Officer and director of Pediatrix since he founded the Company in 1979 with Dr. Gregory Melnick. Dr. Medel has been an instructor in pediatrics at the University o f Miami and participates as a member of several medical and professional organizations. Dr. Medel also holds a Masters Degree in Business Administration from the University of Miami. Dr. Medel served on the boards of directors of Sechrist Industries Inc. and ARC Broward Inc., and currently serves on the board of directors of Physicians Healthcare Plans, Inc. and the Sheriff's Foundation of Broward County, Inc.

KRISTEN BRATBERG joined Pediatrix in November 1995 as Vice President, Business Development. In January 2000, Mr. Bratberg was appointed Executive Vice President, Corporate Development and, in May 2000, he was appointed President. Prior to joining Pediatrix, Mr. Bratberg was employed by Dean Witter Reynolds Inc. in the Corporate Finance Department from May 1987 to November 1995, most recently as a Senior Vice President specializing in the healthcare industry.

JOSEPH M. CALABRO joined Pediatrix in January 1996 as Chief Information Officer. In January 2000, Mr. Calabro was appointed Executive Vice President, Management, and in May 2000, he was appointed Chief Operating Officer. Prior to joining Pediatrix, Mr. Calabro was employed by Ambulatory Surgery Group of Columbia/HCA as Director of Information Technology from 1994 to January 1996 and in various other operational and technology roles from 1987 to 1994.

KARL B. WAGNER joined Pediatrix in May 1997 and was appointed Chief Financial Officer in August 1998. Prior to his appointment, Mr. Wagner served as Controller, and was responsible for all accounting and financial operations, including Securities and Exchange Commission reporting. Prior to joining Pediatrix, Mr. Wagner was Chief Financial Officer for the East Region of Columbia/HCA's Ambulatory Surgery Division from January 1995 until joining the Company. From July 1993 through January 1995, Mr. Wagner was Assistant Controller of Medical Care International, Inc., a subsidiary of Medical Care America, Inc.

BRIAN T. GILLON joined Pediatrix in December 1996 as Director, Business Development, served as Vice President, Business Development from January 2000 through December 2000 and was appointed as Executive Vice President, Corporate Development, General Counsel and Secretary in January 2001. In his current position, Mr. Gillon is responsible for the Company's legal affairs and activities related to new business opportunities, including mergers and acquisitions. From June 1996 until joining Pediatrix, Mr. Gillon was an Associate in the healthcare group of Smith Barney, Inc.'s Investment Banking Division, and from September 1993 until June 1996 was an attorney at Dewey Ballantine, specializing in mergers and acquisitions and corporate finance transactions for health care companies.

G. ERIC KNOX, M.D. was appointed as a director in October 1999. Dr. Knox was employed by Obstetrix Medical Group, Inc., a wholly owned subsidiary of Pediatrix, since August 1999 as Chief Medical Officer, and was promoted to President in January 2000. Dr. Knox resigned as President of Obsterix effective December 31, 2000. Prior to joining Pediatrix, Dr. Knox was Director and perinatologist at The Perinatal Center at Abbot-Northwestern Hospital in Minneapolis, Minnesota, from July 1978 through July 1999. From 1983 through 1999, he was the Medical Director and Chairman of the Risk Management Council at Abbott-Northwestern Hospital and Medical Director of MMI Companies, Inc. He is a Professor of the Department of OB/GYN at the University of Minnesota Medical School. Dr. Knox has written and co-authored numerous publications in the fields of perinatology, risk management and organizational safety.

M. DOUGLAS CUNNINGHAM, M.D. has been employed by Pediatrix since June 1996. Dr. Cunningham served as Vice President and Chief Medical Officer from June 1996 to June 1997, at which time he was appointed Vice President, Regional Medical Operations. In October 1999, Dr. Cunningham was appointed Vice President, Medical Coding. In October 1996, Dr. Cunningham was appointed director. Dr. Cunningham has over 25 years experience as a practicing neonatologist and professor of pediatrics and neonatology. From 1988 until joining the Company, Dr. Cunningham served as the Senior Vice President, Medical Operations with Infant Care Management Services, Inc. Dr. Cunningham has also served as a professor at several medical schools, most recently as a Clinical Professor of Pediatrics at the University of California, Irvine, and has published numerous medical articles.

CESAR L. ALVAREZ was appointed as a director in March 1997. Mr. Alvarez was elected President and Chief Executive Officer of the law firm of Greenberg Traurig, LLP. Mr. Alvarez has been a lawyer with this firm for over 20 years. Mr. Alvarez also serves as a director of Atlantis Plastics, Inc., TexPack, N.V., Watsco, Inc., Union Planters Bank (Florida), Avborne, Inc. and Koning Restaurants International.

MICHAEL B. FERNANDEZ was appointed as a director in October 1995. Mr. Fernandez has served since 1992 as Chairman of the Board and Chief Executive Officer of Physicians Healthcare Plans, Inc., a Florida-based health maintenance organization. Prior to that time, Mr. Fernandez served from 1990 to 1992 as Executive Vice President of Product Development and Marketing as well as Chief Executive Officer of certain indemnity subsidiaries of CAC-United Healthcare Plans of Florida, Inc., a publicly-held managed care company.

WALDEMAR A. CARLO, M.D. was appointed as a director in June 1999. Dr. Carlo has served as Professor of Pediatrics and Director of the Division of Neonatology at the University of Alabama at Birmingham Medical School since 1991. Dr. Carlo also serves as Director of Newborn Nurseries at the University of Alabama Medical Center and the Children's Hospital of Alabama since 1991. Dr. Carlo participates as a member of several medical and professional organizations. He has also received numerous research awards and grants and has lectured extensively.

ITEM 11. EXECUTIVE COMPENSATION

SUMMARY OF CASH AND CERTAIN OTHER COMPENSATION

The following table sets forth certain summary information concerning compensation paid or accrued by the Company and its subsidiaries to or on behalf of the Company's Chief Executive Officer and each of the most highly compensated executive officers of the Company who were serving as executive officers at the end of the last completed fiscal year, whose total annual salary and bonus, determined as of the end of the last fiscal year, exceeded $100,000 (collectively, the "Named Executive Officers"), for the fiscal years ended December 31, 2000, 1999, and 1998.

SUMMARY COMPENSATION TABLE

		Annual Compensation(1)		Long-Term Compensation	
Name and Principal Position	Fiscal Year	Salary($)	Bonus ($)	No. of Securities Underlying Options	All Other Compensation(3)
Roger J. Medel, M.D. Chief Executive Officer.....	2000	$ 400,000	$ 100,000(2)	0	$3,400
	1999	400,000	100,000(2)	250,000(4)	3,200
	1998	400,000	782,350(2)	0	6,400
Kristen Bratberg President.....	2000	$ 300,000	$ 200,000(2)	50,000	$3,400
	1999	300,000	655,283(2)	200,000	3,200
	1998	200,000	1,138,722	50,000	6,400
Joseph M. Calabro Chief Operating Officer (5)..	2000	$ 193,333	$ 100,000(2)	25,000	$3,400
	1999	N/A	N/A	N/A	N/A
	1998	N/A	N/A	N/A	N/A
Karl B. Wagner Vice President and Chief Financial Officer.....	2000	$ 179,167	$ 75,000(2)	0	$3,400
	1999	150,000	50,000(2)	80,000	3,200
	1998	105,000	50,000(2)	25,000	4,600
Bruce A. Jordan Vice President, General Counsel and Corporate..... Secretary (6)	2000	$ 183,889	$ 30,000(2)	0	$3,400
	1999	180,000	30,000(2)	30,000	3,200
	1998	180,000	30,000(2)	0	6,400

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(1) The column for "Other Annual Compensation" has been omitted because there is no compensation required to be reported in such column. The aggregate amount of perquisites and other personal benefits provided to each officer listed above is less than 10% of the total annual salary and bonus of such officer.
(2) Includes bonuses paid in a subsequent year for services performed in the year reported.
(3) Reflects matching contributions to the Company's 401(k) plan.
(4) Options granted on 1/27/99 were subsequently cancelled on 7/7/99.
(5) Mr. Calabro was appointed as Chief Operating Officer in May 2000.
(6) Effective January 6, 2001, Mr. Jordan no longer serves as Vice President, General Counsel and Corporate Secretary.

OPTION GRANTS TABLE

The following table sets forth certain information concerning grants of stock options made during fiscal 2000 to the Named Executive Officers.

	Individual Option Grants in 2000 Fiscal Year					
					Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation For Option Term(1)	
Name	Number of Options Granted	% of Total Options Granted to Employees in Fiscal 2000	Exercise Price Per Share(2)	Expiration Date	5%	10%
Kristen Bratberg.....	50,000	4.77%	$7.6250	5/8/2010	$239,766	$607,614
Joseph M. Calabro.....	25,000	2.38%	$7.6250	5/8/2010	$119,883	$303,807

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(1) The dollar amounts set forth in these columns are the result of calculations at the five percent and ten percent rates set by the Securities and Exchange Commission, and therefore are not intended to forecast possible future appreciation, if any, of the market price of the Common Stock.

(2) All options were granted at exercise prices equal to the fair market value of the Common Stock on the date of grant.

STOCK OPTION EXERCISES AND YEAR-END OPTION VALUE TABLE

The following table sets forth certain information concerning option exercises in fiscal 2000, the number of stock options held by the Named Executive Officers as of December 31, 2000 and the value (based on the fair market value of a share of stock at fiscal year-end) of in-the-money options outstanding as of such date.

			Number of Unexercised Options at December 31, 2000		Value of Unexercised In-the-Money Options at December 31, 2000(1)	
Name	Number of Shares Acquired On Exercise	Value Realized	Exercisable	Unexercisable	Exercisable	Unexercisable
Roger J. Medel, M.....	--	--	953,333	16,667	$6,562,500	$ 0
Kristen Bratberg.....	--	--	316,667	133,333	951,047	1,361,453
Joseph M Calabro.....	--	--	70,001	84,999	295,422	950,515
Karl B. Wagner.....	--	--	43,334	41,666	269,797	539,578
Bruce A. Jordan.....	--	--	25,000	10,000	80,938	161,875

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(1) The closing sale price for the Company's Common Stock as reported on the New York Stock Exchange on the last trading day of 2000, December 29, 2000, was $24.0625. Value is calculated by multiplying (a) the difference between $24.0625 and the option exercise price by (b) the number of shares of Common Stock underlying the option.

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AGREEMENTS

The Company has entered into employment agreements with certain of the executive officers (collectively the "Employment Agreements"). Pursuant to the Employment Agreements, Dr. Medel and Messrs. Bratberg and Wagner receive base salaries of $400,000, $300,000 and $150,000, respectively. The Board of Directors has approved an amendment to Dr. Medel's employment agreement under which his base salary will be increased to $600,000 in 2001 and he will be eligible for a bonus of up to $200,000 based on performance objectives. The Employment Agreements also provide that such executives are eligible to receive performance bonuses. The Employment Agreements provide for payments to the executives upon termination after a Change in Control (as defined in such agreements) in an amount equal to 200% of average annual compensation for Dr. Medel, and 100% of the average annual compensation for each of Messrs. Bratberg and Wagner for the five taxable years prior to such termination. The executive officers each hold options to purchase Common Stock granted under the Company's Amended and Restated Stock Option Plan. The Employment Agreements provide that, to the extent not already exercisable, such options will become exercisable if the executive's employment is terminated within a 12-month period after a Change in

Control. The Employment Agreements further provide that each executive shall not compete with the Company during the employment term and for a period of one year thereafter following the termination of the agreement for any reason. The Company and Mr. Jordan have entered into an agreement with respect to the termination of his employment with the Company under which Mr. Jordan has agreed to remain an employee of the Company until December 31, 2001 at a base salary of $180,000, subject to certain conditions.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

Under rules established by the Securities and Exchange Commission, the Compensation Committee of the Board of Directors of the Company is required to provide a report explaining the rationale and considerations that led to fundamental compensation decisions affecting the Company's executive officers (including the Named Executive Officers) during the past fiscal year.

GENERAL. The Compensation Committee is comprised of independent directors and is responsible for setting and administering policies that govern annual compensation of the Company's executive officers, as well as the Company's stock option, employee stock purchase and incentive compensation plans. The Compensation Committee's general philosophy with respect to the compensation of the Company's executive officers is to offer competitive compensation programs designed to attract and retain key executives critical to the long-term success of the Company and to recognize an individual's contribution and personal performance. Such compensation programs include a base salary and an annual performance-based bonus as well as stock option plans and incentive plans designed to provide long-term incentives. In addition, the Compensation Committee may recommend the grant of discretionary bonuses to the Company's executive officers.

In establishing the Company's executive compensation program, the Compensation Committee takes into account current market data and compensation trends for comparable companies, and gauges achievement of corporate and individual objectives. The base salaries of the Named Executive Officers have been fixed at levels which the Compensation Committee believes are competitive with amounts paid to senior executives with comparable qualifications, experience and responsibilities. Performance bonuses have been structured to reinforce the achievement of both short and long-term corporate objectives. The Company utilizes stock options to foster a long-term perspective aligned with that of its shareholders. The salaries for each of the Named Executive Officers is set forth in such executive's employment agreement.

2000 COMPENSATION FOR THE CHIEF EXECUTIVE OFFICER. Dr. Medel's employment agreement with the Company is for a five-year term, with a base salary of $400,000 per year, and he is also entitled to receive a performance bonus of $100,000 in each year that he meets or exceeds certain performance objectives determined by the Compensation Committee. In 2000, Dr. Medel received his performance bonus in addition to his base salary. Dr. Medel also has an Incentive Plan, pursuant to which he is also eligible to receive incentive compensation; however, in 2000, Dr. Medel did not receive incentive compensation pursuant to this plan. In determining Dr. Medel's overall compensation for 2000, the Compensation Committee evaluated the Company's performance during 2000, focusing on the following areas: (i) neonatal intensive care units managed by the Company, (ii) the number of perinatologists employed by Obstetrix Medical Group, Inc., a subsidiary of the Company, (iii) the number of patient days, and (iv) revenues. The Compensation Committee believes that these achievements reflect the Chief Executive Officer's strategic leadership for the Company and, as a result, awarded the Chief Executive Officer the bonus set forth in the Summary Compensation Table.

POLICY ON DEDUCTIBILITY OF INCENTIVE COMPENSATION. Section 162(m) of the Internal Revenue Code of 1986, as amended, limits the tax deduction to $1 million for compensation paid to the Company's five most highly compensated executive officers, unless certain requirements are met. In order to comply with Section 162(m), the Stock Option Plan limits the number of shares underlying options awardable during the 10-year term of the Stock Option Plan to any plan participant and is administered by a committee consisting only of "outside directors" (as defined in Section 162(m)). While the tax impact of any compensation is one factor to consider, such impact is evaluated in light of the Compensation Committee's overall compensation philosophy. The Compensation Committee intends to establish executive officer compensation programs which maximize the Company's deduction if the Compensation Committee determines that such actions are consistent with its philosophy and in the best interests of the Company and its shareholders.

Cesar L. Alvarez
Michael B. Fernandez

PERFORMANCE GRAPH

Set forth below is a line graph comparing the cumulative total shareholder return on the Company's Common Stock against the cumulative total return of the NYSE Composite Index, the NASD Composite Index and the NASD Health Index for the period of January 1, 1996 to December 29, 2000. The Company's Common Stock commenced trading on the New York Stock Exchange on September 11, 1996. It was previously traded on the Nasdaq National Market. The closing price of the Company's common stock on December 29, 2000 was $24.0625.

	1/1/96	3/29/96	6/28/96	9/30/96	12/31/96	3/31/97	6/30/97	9/30/97	12/31/97	3/31/98	6/30/98
Pediatrix Medical Group(1)	100.00	129.09	176.36	182.27	134.55	119.55	166.59	160.45	155.45	169.09	135.23
NYSE Composite Index(1)				111.48	119.06	120.95	140.34	150.90	155.14	173.83	175.63
NASDAQ Index(1)	100.00	104.67	113.21								
NASDAQ Health(1)	100.00	121.40	131.98	131.21	116.24	108.54	121.96	132.67	119.27	130.85	118.82

	9/30/98	12/31/98	3/31/99	6/30/99	9/30/99	12/31/99	3/31/00	6/30/00	9/29/00	12/29/00
Pediatrix Medical Group(1)	163.18	217.95	102.27	77.27	50.45	25.45	26.36	42.33	46.82	87.50
NYSE Composite Index(1)	153.10	180.82	183.18	196.70	179.90	197.35	196.56	195.12	201.22	199.35
NASDAQ Index(1)										
NASDAQ Health(1)	89.25	101.10	90.52	111.82	82.63	81.35	84.56	86.29	95.79	111.53

(1) Assumes $100 invested on January 1, 1996 and reinvestment of dividends.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of the Company's Common Stock as of February 28, 2001 for (a) each person known to the Company to own beneficially more than 5% of the Company's outstanding Common Stock, (b) each director (including nominees) who owns any such shares, (c) each Named Executive Officer who owns any such shares (see "Executive Compensation--Summary of Cash and Certain Other Compensation"), and (d) the directors and executive officers of the Company as a group:

	Common Stock Beneficially Owned(2)	
Name of Beneficial Owner(1)	Shares	Percent
Roger J. Medel, M.D.(3)	1,835,208	10.82%
Kristen Bratberg (4)	355,545	2.19%
Joseph M. Calabro (5)	89,377	*
Karl B. Wagner (6)	49,586	*
Bruce A. Jordan (7)	25,451	*
G. Eric Knox, M.D.(8)	18,460	*
M. Douglas Cunningham, M.D.(9)	300	*
Cesar L. Alvarez (10)	5,000	*
Michael B. Fernandez (11)	40,731	*
Waldemar A. Carlo, M.D.(12)	3,333	*
Southeastern Asset Management, Inc.(13)	1,895,600	11.93%
Wasatch Advisors, Inc. (14)	1,762,640	11.09%
Dimensional Fund Advisors Inc. (15)	1,083,900	6.82%
Wellington Management Company, LLP (16)	804,500	5.06%
All directors and executive officers as a group (10 persons) (17)	2,422,991	13.85%

* Less than one percent.

(1) Unless otherwise indicated, the address of each of the beneficial owners identified is 1301 Concord Terrace, Sunrise, FL 33323.

(2) Based on 15,895,828 shares of Common Stock outstanding. Pursuant to the rules of the Securities and Exchange Commission (the "Commission"), certain shares of Common Stock which a person has the right to acquire within 60 days of February 28, 2001 pursuant to the exercise of stock options are deemed to be outstanding for the purpose of computing the percentage ownership of such person but are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

(3) Includes (i) 240 shares owned by Dr. Medel's children, as to which Dr. Medel disclaims beneficial ownership, (ii) 693,665 shares held by Medel Family Limited Partnership, L.P., a Delaware limited partnership, (iii) 42,970 shares held by Medel Investments, Inc., a Nevada corporation, (iv) 35,000 shares directly owned (v) 970,000 shares subject to presently exercisable options, and (vi) 93,333 shares subject to presently exercisable options held by his wife.

(4) Includes (i) 5,545 shares directly owned, 4,545 of which were acquired through the Employee Stock Purchase Plan and (ii) 350,000 shares subject to presently exercisable options.

(5) Includes (i) 1,710 shares directly owned, 1,210 of which were acquired through the Employee Stock Purchase Plan, (ii) 86,667 shares subject to presently exercisable options, and (iii) 1,000 shares acquired by his wife through the Employee Stock Purchase Plan.

(6) Includes (i) 259 shares accumulated through the Company's 401(k) Thrift and Profit Sharing Plan, (ii) 993 shares directly owned that were acquired through Employee Stock Purchase Plan, and (iii) 48,334 shares subject to presently exercisable options.

(7) Includes (i) 451 shares directly owned which were acquired through the Employee Stock Purchase Plan, and (ii) 25,000 shares subject to presently exercisable options. Effective January 6, 2001, Mr. Jordan no longer serves as Vice President, General Counsel and Corporate Secretary.

(8) Includes 1,793 shares directly owned, 793 of which were acquired through the Employee Stock Purchase Plan, and 16,667 shares subject to presently exercisable options.

(9) Includes 300 shares directly owned.

(10) All 5,000 shares are subject to presently exercisable options. The address of Mr. Alvarez is 1221 Brickell Avenue, 22nd Floor, Miami, Florida 33131.

(11) Includes (i) 35,731 shares directly owned, and (ii) 5,000 shares which are subject to presently exercisable options. The address of Mr. Fernandez is 2333 Ponce de Leon Boulevard, Suite 303, Coral Gables, Florida 33134.

(12) All 3,333 shares are subject to presently exercisable options. The address for Dr. Carlo is 525 New Hillman Building, Birmingham, AL 35233.
(13) Southeastern Asset Management, Inc. 1,895,600 shares based on the most recent Schedule 13G. The address for Southeastern Asset Management, Inc. is 6410 Poplar Avenue, Suite 900, Memphis, TN 38119.
(14) Wasatch Advisors, Inc., a registered investment advisor, is deemed to have beneficial ownership of 1,762,640 shares based on the most recent Schedule 13G. The address of Wasatch Advisors, Inc. is 150 Social Hall Avenue, Salt Lake City, Utah 84111.
(15) Dimensional Fund Advisors Inc., a registered investment advisor, is deemed to have beneficial ownership of 1,083,900 shares based on the most recent Schedule 13G. The address of Dimensional Fund Advisors Inc. is 1299 Ocean Avenue, 11th Floor, Santa Monica, CA 90401.
(16) Wellington Management Company, LLP, a registered investment advisor, is deemed to have beneficial ownership of 804,500 shares based on the most recent Schedule 13G. The address of Wellington Management Company, LLP is 75 State Street, Boston, MA 02109.
(17) Includes 1,603,334 shares subject to presently exercisable options.

MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors held four meetings during 2000 and took certain actions by unanimous written consent. Each director, other than Mr. Fernandez, attended at least 75 percent of the aggregate of (i) the number of such meetings, and (ii) the number of meetings of committees of the Board of Directors held during 2000. Mr. Fernandez attended 50 percent of such meetings.

Mr. Fernandez and Mr. Alvarez were members of the 2000 Audit Committee, which was established in January 1996. The duties and responsibilities of the Audit Committee include (a) recommending to the full Board the appointment of the Company's auditors and any termination of engagement, (b) reviewing the plan and scope of audits, (c) reviewing the Company's significant accounting policies and internal controls, and (d) having general responsibility for all related auditing matters. The Audit Committee held four meetings during 2000.

Messrs. Fernandez and Alvarez were members of the 2000 Compensation Committee, with Mr. Alvarez as Chairman of the Compensation Committee. The Compensation Committee is responsible for setting and administering policies that govern annual compensation of the Company's executive officers. The Compensation Committee has the exclusive power and authority to make compensation decisions and make recommendations to the Board of Directors on compensation matters affecting the Company's executive officers. The Compensation Committee also administers the Company's stock option plan, stock purchase plans and incentive plans for executive officers. During 2000, the Compensation Committee's meetings were held in conjunction with the four meetings held by the full Board of Directors.

DIRECTOR COMPENSATION

The Company pays each director who is neither an employee nor is associated with one of the Company's principal shareholders an annual director's fee of $7,500, payable quarterly, a $1,000 fee for each meeting of the Board of Directors attended by such director and, if not held in conjunction with a regular meeting of the Board of Directors, a $500 fee for each committee meeting attended. In addition, each non-employee director not affiliated with one of the Company's principal shareholders (an "Outside Director") receives options to purchase 5,000 shares of Common Stock on such director's initial appointment to the Board, which options become fully exercisable on the one-year anniversary date of the grant. The unexercised portion of any option granted to an Outside Director becomes null and void three months after the date on which such Outside Director ceases to be a director of the Company for any reason. The Company also reimburses all directors for out-of-pocket expenses incurred in connection with the rendering of services as a director. Effective December 1, 2000, Dr. Cunningham was appointed as Vice President, Special Projects, pursuant to an employment agreement with the Company which provides for an annual salary of $400,000. During 2000, Dr. Cunningham received compensation of $400,000 for services rendered to the Company as Vice President, Medical Coding, a position he held prior to his current position. Dr. Knox served as President of Obstetrix Medical Group, Inc., a wholly-owned subsidiary of Company, pursuant to an employment agreement which provides for an annual salary of $250,000 plus an incentive bonus. During 2000, Dr. Knox received compensation of $419,000 including bonuses for services rendered to the Company.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Mr. Fernandez, a member of the Company's Compensation Committee, is also a director and executive officer of Physicians Healthcare Plans, Inc. Dr. Medel serves on the Board of Directors of Physicians Healthcare Plans, Inc.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

CERTAIN TRANSACTIONS

In March 1997, Cesar L. Alvarez was appointed to the Board of Directors of the Company. Mr. Alvarez is the Chief Executive Officer and Managing Shareholder of Greenberg Traurig, P.A. which serves as the Company's principal outside counsel and receives customary fees for legal services. The Company currently anticipates that such arrangement will continue.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires the Company's directors and executive officers, and persons who own more than 10 percent of the Company's Common Stock, to file with the Securities and Exchange Commission (the "SEC") initial reports of ownership and reports of changes in ownership of Common Stock. Officers, directors and greater than 10 percent shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on review of the copies of such reports furnished to the Company and representations that no other reports were required, all Section 16(a) filing requirements applicable to its officers, directors and greater than 10 percent beneficial owners were complied with during the fiscal year ended December 31, 2000.

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 33.

(a)(2) FINANCIAL STATEMENT SCHEDULE

The following financial statement schedule for the years ended December 31, 1998, 1999 and 2000 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, 1998, 1999 AND 2000

	1998	1999	2000
		(in thousands)	
Allowance for contractual adjustments and uncollectibles:			
Balance at beginning of year	$ 45,371	$ 87,436	$ 102,479
Portion charged against operating revenue	209,817	272,812	320,584
Accounts receivable written-off (net of recoveries)	(167,752)	(257,769)	(321,114)
Balance at end of year	$ 87,436	$ 102,479	$ 101,949

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 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 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 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 Form 8-K dated March 31, 1999).
10.1	Pediatrix's Amended and Restated Stock Option Plan, as amended (incorporated by reference to Exhibit 4.3 to Pediatrix's Form S-8 (File No. 333-77779) dated May 5, 1999).
10.2	Pediatrix's Profit Sharing Plan (incorporated by reference to Exhibit 10.23 to Pediatrix's 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 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 (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 Form S-1 (Registration No. 33-95086)).

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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 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.
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.
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.
10.17*	Security Agreement dated November 1, 2000, between Pediatrix Medical Group, Inc. and Fleet National Bank, as Agent.
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 to the Stockholders' Agreement, 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).
21.1*	Subsidiaries of Pediatrix.
23.1*	Consent of PricewaterhouseCoopers LLP.
23.2*	Consent of KPMG LLP.

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* Filed herewith.

(b) REPORTS ON FORM 8-K

None.

(c) EXHIBITS REQUIRED BY ITEM 601 OF REGULATION S-K

The index to exhibits that are listed in Item 14(a)(3) of this report and not incorporated by reference follows the "Signatures" section hereof and is incorporated herein by reference.

(d) FINANCIAL STATEMENT SCHEDULES REQUIRED BY REGULATION S-X

The financial statement schedule required by Regulation S-X which is excluded from the Registrant's Annual Report to Shareholders for the year ended December 31, 2000, by Rule 14a-3(b)(1) is included above. See Item 14(a)2 above.

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 16, 2001

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

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 16, 2001
/s/ KRISTEN BRATBERG Kristen Bratberg	President	March 16, 2001
/s/ KARL B.WAGNER Karl B. Wagner	Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)	March 16, 2001
/s/ WALDEMAR A. CARLO, M.D. Waldemar A. Carlo, M.D.	Director	March 15, 2001
/s/ G. ERIC KNOX, M.D. G. Eric Knox, M.D.	Director	March 15, 2001
/s/ M. DOUGLAS CUNNINGHAM, M.D. M. Douglas Cunningham, M.D.	Director	March 15, 2001
/s/ MICHAEL FERNANDEZ Michael Fernandez	Director	March 16, 2001
/s/ CESAR L. ALVAREZ Cesar L. Alvarez	Director	March 16, 2001

EXHIBIT 10.13

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT ("Agreement") is made and entered into as of the 1st day of December, 2000, by and between PEDIATRIX MEDICAL GROUP, INC., a Florida corporation (hereinafter called the "Company"), and M. DOUGLAS CUNNINGHAM, M.D. (hereinafter called the "Executive").

P R E L I M I N A R Y S T A T E M E N T S

WHEREAS, the Company is presently engaged in the business of providing neonatal and pediatric physician management services to hospitals (the "Business"); and

WHEREAS, the Executive has had several years of experience in administration and management in the health care business; and

WHEREAS, the Company and the Executive previously entered into an Employment Agreement dated August 1st, 1999 under which the Company employed Physician as Vice President for Medical Coding of the Company, which will be amended and restated upon the execution of this Agreement; and

WHEREAS, the Company is desirous of employing the Executive and benefiting from his contributions to the Company.

A G R E E M E N T

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

1. EMPLOYMENT.

1.1. EMPLOYMENT AND TERM. The Company hereby agrees to employ the Executive and the Executive hereby agrees to serve the Company, on the terms and conditions set forth herein, for an "Initial Term" commencing on December 1, 2000 and expiring on December 31, 2001 (the "Expiration Date") unless sooner terminated as hereinafter set forth. The Initial Term of this Agreement, and the employment of the Executive hereunder, shall be automatically renewed for one (1) year periods thereafter until terminated in accordance hereunder. (The Initial Term and any automatic renewals shall be hereinafter referred to as the "Employment Period").

1.2. DUTIES OF THE EXECUTIVE. During the Employment Period, the Executive shall serve as Vice President, Special Projects of the Company. The Executive shall report to, and shall be subject to the supervision and direction of, the Company's Chief Executive Officer. During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote substantially all of his attention and business time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder as a senior executive officer involved with the general management of the Company, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (i) serve on corporate, civic or charitable boards or committees; (ii) deliver lectures, fulfill speaking engagements or teach at educational institutions; or (iii) manage personal investments and engage in other business activities, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the date hereof, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the date hereof shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

1.3. PLACE OF PERFORMANCE. The Executive shall be based at the Company's offices located in Orange, California, except for required travel relating to the Company's Business.

2. BASE COMPENSATION.

2.1. BASE SALARY. Commencing on the date hereof, the Executive shall receive a base salary at the annual rate of not less than Four Hundred Thousand Dollars ($400,000) (the "Base Salary") during the term of this Agreement, with such Base Salary payable in installments consistent with the Company's normal payroll schedule, subject to required applicable withholding for taxes.

3. OTHER BENEFITS.

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

3.2. OTHER BENEFITS. During the Employment Period, the Company shall continue in force all existing comprehensive major medical and hospitalization insurance coverages, either group or individual for the Executive and his dependents; shall continue in force all existing life insurance for the Executive; and shall continue in force all existing disability

insurance for the Executive (collectively, the "Policies"), which Policies the Company shall keep in effect at its sole expense throughout the term of this Agreement. The Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under all welfare benefit plans, practices, policies and programs provided by the Company (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to senior executive officers or other peer executives of the Company. The Executive shall also be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs and such other perquisites as applicable generally to senior executive officers or other peer executives of the Company. Nothing paid to the Executive under any plan or arrangement presently in effect or made available in the future shall be deemed to be in lieu of the Base Salary payable to the Executive pursuant to this agreement.

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

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

3.5 EDUCATIONAL LEAVE & EXPENSES. Executive shall be entitled to educational leave of ten (10) days annually during the Term of this Agreement without diminution of compensation. Company shall reimburse reasonable expenses incurred by Executive while attending educational meetings and for publications, association membership, and other materials related to medical management.

4. TERMINATION.

4.1. TERMINATION FOR CAUSE.

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

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

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

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

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

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

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

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

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

4.4 TERMINATION BY THE COMPANY WITHOUT CAUSE. The Company may terminate the Executive's employment, without cause, as provided in this Section 4.4. To terminate the Executive's employment without cause in accordance with this Section 4.4, the Company shall give the Executive written notice of such

termination. The Termination Date shall be the date specified by the Company in such notice. Upon any termination of this Agreement pursuant to this Section 4.4, the Executive shall be entitled to the compensation specified in Section 5.4 hereof.

4.5. TERMINATION UPON A CHANGE IN CONTROL OF THE COMPANY. In the event a Change in Control (as hereafter defined) in the Company shall occur during the Employment Period, and the Executive elects to terminate his employment with Company because Executive is (i) assigned any position, duties or responsibilities that are significantly diminished or changed when compared with the position, duties or responsibilities of the Executive prior to such Change in Control, or (ii) forced to relocate to another location more than 25 miles from the Executive's location prior to the Change in Control, or (iii) Executive is terminated by Company, then the Executive shall be entitled to the compensation specified in Section 5.5 hereof and any other compensation and benefits provided in this Agreement in connection with a Change in Control of the Company. For purposes of this Section 4.5, "Change in Control of the Company" shall mean (i) the acquisition by a person or an entity or a group of persons and entities, directly or indirectly, of more than fifty (50%) percent of the Company's common stock in a single transaction or a series of transactions (hereinafter referred to as a "50% Change in Control"); (ii) a merger or other form of corporate reorganization resulting in an actual or DE FACTO 50% Change in Control; or (iii) the failure of Applicable Directors (defined below) to constitute a majority of the Board during any two (2) consecutive year period after the date of this Agreement (the "Two-Year Period"). "Applicable Directors" shall mean those individuals who are members of the Board at the inception of a Two-Year Period and any new director whose election to the Board or nomination for election to the Board was approved (prior to any vote thereon by the shareholders) by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the Two-Year Period at issue or whose election or nomination for election during such Two-Year Period was previously approved as provided in this sentence. If the Executive elects to terminate his employment pursuant to the terms of this Section 4.5, the Executive shall give the Company a written termination notice. The Termination Date shall be the date specified in such notice, which date may not be earlier than 30 days nor later than 90 days from the Company's receipt of such notice.

4.6. TERMINATION BY THE EXECUTIVE DUE TO POOR HEALTH. The Executive may terminate his employment under this Agreement upon written notice to the Company if the Executive's health should become impaired to any extent that makes the continued performance of the Executive's duties under this Agreement hazardous to the Executive's physical or mental health or his life (regardless of whether such condition would be deemed a Disability under any other section of this Agreement), provided that the Executive shall have furnished the Company with a written statement from a qualified doctor to that effect and provided further that, at the Company's written request and expense, the Executive shall submit to a medical examination by a qualified doctor selected by the Company and acceptable to the Executive (which acceptance shall not be unreasonably withheld) which doctor shall substantially concur with the

conclusions of the Executive's doctor. The Termination Date shall be the date specified in the Executive's notice to the Company, which date may not be earlier than 30 days nor later than 90 days from the Company's receipt of such notice. Upon any termination of this Agreement pursuant to this Section 4.6, the Executive shall be entitled to the compensation specified in Section 5.6 hereof.

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

5. COMPENSATION AND BENEFITS UPON TERMINATION.

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

5.2. DISABILITY. During any period that the Executive is unable to perform his duties under this Agreement as a result of incapacity due to physical or mental illness, the Executive shall continue to receive his full Base Salary until the Termination Date specified in Section 4.2, plus the prorated amounts specified in Section 5.9. After such termination, the Executive shall receive 100% of his annual Base Salary at the rate in effect at the Termination Date, payable in twelve equal monthly installments, reduced by any disability payments otherwise payable by or pursuant to plans provided by the Company.

5.3. DEATH. Upon the Executive's death, the Company shall pay to the person designated by the Executive in a notice filed with the Company or, if no person is designated, to his estate (i) any unpaid amounts of his Base Salary and accrued vacation to the date of the Executive's death, plus the prorated amounts specified in Section 5.9; and (ii) any payments the Executive's spouse, beneficiaries or estate may be entitled to receive pursuant to any pension or employee benefit plan or life insurance policy or similar plan or policy then maintained by the Company. Upon full payment of all amounts required to be paid under this Section 5.3, the Company shall have no further obligation under this Agreement.

5.4 TERMINATION BY THE COMPANY WITHOUT CAUSE. If the Company terminates the Executive's employment without cause in accordance with and subject to Section 4.4, then (i) the Company shall pay the Executive his full Base Salary through the Termination Date specified in Section 4.4 at the rate in effect at such Termination Date, plus the prorated amounts specified in Section 5.9; and (ii) in lieu of further salary payments to the Executive for periods subsequent to the Termination Date and in consideration of the rights of the Company under Section 8, the Company shall pay Executive an amount equal to one

hundred percent (100%) of his annual Base Salary at the highest rate in effect during the twelve (12) months immediately preceding the Termination Date, payable to the Executive in twelve (12) equal monthly installments. Upon payment of the amounts specified under this Section 5.4, the Company shall have no further obligation under this Agreement.

5.5. TERMINATION UPON A CHANGE IN CONTROL. If the Executive or Company terminates this Agreement upon a Change in Control of the Company pursuant to Section 4.5, then (i) the Company shall pay the Executive his full Base Salary through the Termination Date specified in Section 4.5, at the rate in effect at such Termination Date, plus the prorated amounts specified in Section 5.9; (ii) the Executive shall receive all other compensation and benefits provided in this Agreement in connection with a termination of employment due to a Change in Control of the Company; and (iii) in lieu of any further salary payments to the Executive for periods subsequent to such Termination Date (but without affecting compensation or benefits to the Executive in accordance with the preceding clauses 5.5(i) and 5.5(ii) and in consideration of the rights of the Company under Section 8), the Company shall pay as severance pay to the Executive an amount equal to 100% of the Executive's Base Salary herein payable in 12 equal monthly installments. In addition, in the event the Termination Date as a result of a Change in Control occurs within the twelve-month period of a Change in Control, any stock options held by the Executive on the Termination Date shall fully vest and become immediately exercisable.

5.6. TERMINATION BY THE EXECUTIVE DUE TO POOR HEALTH. If the Executive terminates this Agreement pursuant to Section 4.6 hereof, the Company shall pay to the Executive any unpaid amounts of his Base Salary and accrued vacation to the Termination Date specified in Section 4.6, plus any disability payments otherwise payable by or pursuant to plans provided by the Company, plus the prorated amounts specified in Section 5.9.

5.7. TERMINATION BY THE EXECUTIVE. If this Agreement terminates pursuant to Section 4.7 hereof, the Company shall pay to the Executive any unpaid amounts of his Base Salary and accrued vacation to the Termination Date specified in Section 4.7, as the case may be, plus the amount specified in Section 5.9.

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

5.9. EXPENSE REIMBURSEMENT. The Executive shall be entitled to reimbursement for reasonable business expenses incurred prior to the Termination Date, subject, however to the provisions of Section 3.1.

6. SUCCESSORS; BINDING AGREEMENT.

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

Company as previously defined and any successor to its business and/or assets which executes and delivers the agreement provided for in this Section 6 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

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

7. CONFLICTS WITH PRIOR EMPLOYMENT CONTRACT. Except as otherwise provided in this Agreement, this Agreement constitutes the entire agreement among the parties pertaining to the subject matter hereof, and supersedes and revokes any and all prior or existing agreements, written or oral, relating to the subject matter hereof, and this Agreement shall be solely determinative of the subject matter hereof.

8. NONCOMPETITION; UNAUTHORIZED DISCLOSURE; INJUNCTIVE RELIEF.

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

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

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

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

8.2. UNAUTHORIZED DISCLOSURE. During the Employment Period and for two years following the termination of this Agreement for any reason, the Executive shall not, without the written consent of the Board or a person

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

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

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

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

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

11. NOTICES. Any notice required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given when delivered by hand or when deposited in the United States mail by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Company:
Lawrence M. Mullen
Pediatrix Medical Group, Inc.
1455 Northpark Drive
Ft. Lauderdale, Florida 33326

If to the Executive:
M. Douglas Cunningham, M.D.
6 Via Cancha
San Clemente, CA 92673

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

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

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

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

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

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

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

PEDIATRIX MEDICAL GROUP, INC.	THE EXECUTIVE:
/s/ KRISTEN BRATBERG	/s/ M. DOUGLAS CUNNINGHAM, M.D.
Kristen Bratberg	M. Douglas Cunningham, M.D.
President	

EXHIBIT 10.15

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is made and entered into as of the 8th day of January, 2001, by and between PEDIATRIX MEDICAL GROUP, INC., a Florida corporation (hereinafter called the "Company"), and BRIAN T. GILLON (hereinafter called the "Executive").

P R E L I M I N A R Y S T A T E M E N T S

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

B. The Executive has had several years of experience in assisting the Company and other health care companies execute transactions.

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

A G R E E M E N T

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

1. EMPLOYMENT.

1.1. EMPLOYMENT AND TERM. The Company hereby agrees to employ the Executive and the Executive hereby agrees to serve the Company, on the terms and conditions set forth herein, for an "Initial Term" commencing on January 8, 2001 and expiring on December 31, 2002 (the "Expiration Date") unless sooner terminated as hereinafter set forth. The Initial Term of this Agreement, and the employment of the Executive hereunder, shall be automatically renewed for one (1) year periods thereafter until terminated in accordance hereunder. (The Initial Term and any automatic renewals shall be hereinafter referred to as the "Employment Period").

1.2. DUTIES OF THE EXECUTIVE. During the Employment Period, the Executive shall serve as Executive Vice President - Corporate Development and General Counsel of the Company. The Executive shall be responsible for the legal affairs of, and new business activities for, the Company and shall supervise and direct the activities of the Legal and Business Development departments of the Company. The Executive shall report to, and shall be subject to the supervision and direction of, the Company's President. During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote substantially all of his attention and business time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder as a senior executive

officer involved in the general management of the Company, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (i) serve on corporate, civic or charitable boards or committees; (ii) deliver lectures, fulfill speaking engagements or teach at educational institutions; or (iii) manage personal investments and engage in other business activities, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement.

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

2. BASE COMPENSATION AND BONUS.

2.1. BASE SALARY. The Executive shall receive a base salary at the annual rate of not less than Two Hundred Fifty Thousand Dollars ($250,000) (the "Base Salary") during the term of this Agreement, with such Base Salary payable in installments consistent with the Company's normal payroll schedule, subject to required applicable withholding for taxes. The Base Salary shall also be reviewed, at least annually, for merit increases and may, by action and in the discretion of the Company's President, be increased at any time or from time to time. At the sole discretion of Company, Company may adjust Executive's Base Salary to reflect annual changes in the cost of living.

2.2. INCENTIVE BONUS. The Executive shall be entitled to receive at the end of each calendar year a performance bonus (the "Performance Bonus") of not less than Fifty Thousand Dollars ($50,000) per year. The Compensation Committee of the Company's Board of Directors ("Board") shall have the exclusive right to increase or decrease (subject to the $50,000.00 minimum) the Executive's Performance Bonus to reflect the Executive's and the Company's performance for the year. Company shall pay the Performance Bonus to Executive within ninety (90) days after the end of the applicable calendar year.

3. OTHER BENEFITS.

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

3.2. OTHER BENEFITS. During the Employment Period, the Company shall continue in force all existing comprehensive major medical and hospitalization insurance coverages, either group or individual for the Executive and his dependents; shall continue in force all existing life insurance for the Executive; and shall continue in force all existing disability insurance for the Executive (collectively, the "Policies"), which Policies the Company shall keep in effect at its sole expense throughout the term of this Agreement. The Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under all welfare benefit plans, practices, policies and programs provided by the Company (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel

accident insurance plans and programs) to the extent generally applicable to senior executives or other peer executives of the Company. The Executive shall also be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs and such other perquisites as applicable generally to senior executives or other peer executives of the Company. The Executive shall be reimbursed for professional dues and subscriptions in accordance with the written policies and procedures of the Company. Nothing paid to the Executive under any plan or arrangement presently in effect or made available in the future shall be deemed to be in lieu of the Base Salary or other bonus payable to the Executive pursuant to this agreement.

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

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

3.5. STOCK OPTIONS. In connection with the execution of this Agreement, the Executive has been granted Thirty Five Thousand (35,000) stock options with a three (3) year vesting period. In addition, the Executive shall be entitled to participate in the Company's Stock Option Plan or any other similar plan adopted by the Company that provides for the issuance of stock options to its employees.

3.6. PROFESSIONAL MEETINGS AND SEMINARS. The Executive shall be entitled to reimbursement for professional dues and reasonable expenses associated with attendance at professional meetings and seminars related to his responsibilities as General Counsel and Executive Vice President, Corporate Development of the Company.

4. TERMINATION.

4.1. TERMINATION FOR CAUSE.

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

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

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

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

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

(b) The Termination Date for a termination of this Agreement pursuant to this Section 4.1 shall be the date, which shall not be retroactive, specified by the Company in a written notice to the Executive of finding of Cause.

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

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

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

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

4.5. TERMINATION UPON A CHANGE IN CONTROL OF THE COMPANY. In the event a Change in Control (as hereafter defined) in the Company shall occur during the Employment Period, and the Executive elects to terminate his

employment with Company because Executive is (i) assigned any position, duties or responsibilities that are significantly diminished or changed when compared with the position, duties, responsibilities or compensation of the Executive prior to such Change in Control, or (ii) forced to relocate to another location more than 25 miles from the Executive's location prior to the Change in Control, or (iii) Executive is terminated by Company, then the Executive shall be entitled to the compensation specified in Section 5.5 hereof and any other compensation and benefits provided in this Agreement in connection with a Change in Control of the Company. For purposes of this Section 4.5, "Change in Control of the Company" shall mean (i) the acquisition by a person or an entity or a group of persons and entities, directly or indirectly, of more than fifty (50%) percent of the Company's common stock in a single transaction or a series of transactions (hereinafter referred to as a "50% Change in Control"); (ii) a merger or other form of corporate reorganization resulting in an actual or DE FACTO 50% Change in Control; or (iii) the failure of Applicable Directors (defined below) to constitute a majority of the Board during any two (2) consecutive year period after the date of this Agreement (the "Two-Year Period"). "Applicable Directors" shall mean those individuals who are members of the Board at the inception of a Two-Year Period and any new director whose election to the Board or nomination for election to the Board was approved (prior to any vote thereon by the shareholders) by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the Two-Year Period at issue or whose election or nomination for election during such Two-Year Period was previously approved as provided in this sentence. If the Executive elects to terminate his employment pursuant to the terms of this Section 4.5, the Executive shall give the Company a written termination notice. The Termination Date shall be the date specified in such notice, which date may not be earlier than 30 days nor later than 90 days from the Company's receipt of such notice.

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

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

5. COMPENSATION AND BENEFITS UPON TERMINATION.

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

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

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

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

5.5. TERMINATION UPON A CHANGE IN CONTROL. If this Agreement is terminated as contemplated by Section 4.5, then (i) the Company shall pay the Employee his full Base Salary through the Termination Date specified in Section 4.5, at the rate in effect at such Termination Date, plus the amounts specified in Section 5.10; (ii) the Employee shall receive all other compensation and benefits provided in this Agreement in connection with a termination of employment due to a Change in Control of the Company; and (iii) in lieu of any further salary payments to the Employee for periods subsequent to such Termination Date (but without affecting compensation or benefits to the Employee in accordance with the preceding clauses 5.5 (i) and 5.5 (ii) and in consideration of the rights of the Company under Section 8), the Company shall pay as severance pay to the Employee an amount equal to 100% of the average annual taxable compensation of the Employee for the five taxable years prior to such termination (all as determined to compute the "base amount" for purposes of Section 280G of the Internal Revenue Code of 1986, as amended (the" Code")), reduced, but not below zero, by the amount of compensation or benefits from the Company to the Employee which would cause the severance pay payable pursuant to

this Section 5.5 to exceed the excess parachute payment limitation imposed under Section 280G of the Code, payable to the Employee in 12 equal monthly installments, commencing upon such termination. It is understood and agreed that (i) any partial year during which the Employee has been employed by the Company shall be deemed to be a full year, with the taxable compensation for such year deemed to be the taxable compensation received by the Employee in such partial year increased so as to annualize such amount for the full year and (ii) if the Employee has not been employed by the Company for the four consecutive years immediately prior to the year in which such termination occurs, then the five taxable years referenced in the immediately preceding sentence shall be deemed to be the lesser period that the Employee has been employed by the Company. In addition, in the event the Termination Date as a result of a Change in Control occurs within the twelve-month period of a Change in Control, any stock options held by the Employee on the Termination Date shall become vested in full and immediately exercisable.

5.6. TERMINATION BY THE EXECUTIVE DUE TO POOR HEALTH. If the Executive terminates this Agreement pursuant to Section 4.6 hereof, the Company shall pay to the Executive any unpaid amounts of his Base Salary and accrued vacation to the Termination Date specified in Section 4.6, plus any disability payments otherwise payable by or pursuant to plans provided by the Company, plus the prorated amounts specified in Section 5.10.

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

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

5.9. MITIGATION. Except with respect to a termination in accordance with Section 4.5, the Executive shall be required to mitigate the amount of any payment provided for in this Section 5 by seeking other employment or otherwise, any payment provided for in this Section 5 shall be reduced by any compensation earned by the Executive as the result of employment by another employer after the Termination Date.

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

6. SUCCESSORS; BINDING AGREEMENT.

6.1. SUCCESSORS. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) acquiring a majority of the Company's voting common stock or any other successor to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as previously defined and any successor to its business and/or assets which executes and delivers the agreement provided for in this Section 6 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

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

7. CONFLICTS WITH PRIOR EMPLOYMENT CONTRACT. Except as otherwise provided in this Agreement, this Agreement constitutes the entire agreement among the parties pertaining to the subject matter hereof, and supersedes and revokes any and all prior or existing agreements, written or oral, relating to the subject matter hereof, and this Agreement shall be solely determinative of the subject matter hereof.

8. NONCOMPETITION; UNAUTHORIZED DISCLOSURE; INJUNCTIVE RELIEF.

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

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

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

(c) Engage in any neonatology or perinatology-related business of the types performed by the Company in the geographical area where the Company is actively doing business or soliciting business, including, but

not limited to, employment or association with Sheridan Healthcare, Inc., its subsidiaries, affiliates or successors-in-interest, and Magella Healthcare Corporation, its subsidiaries, affiliates or successors-in-interest.

8.2. UNAUTHORIZED DISCLOSURE. During the Employment Period and for two years following the termination of this Agreement for any reason, the Executive shall not, without the written consent of the Board or a person authorized by the Board or as may otherwise be required by law or court order, disclose to any person, other than an employee of the Company or person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Executive of his duties as an executive of the Company, any material confidential information obtained by him while in the employ of the Company with respect to any of the company's clients, physicians, creditors, lenders, investment bankers or methods of marketing, PROVIDED, HOWEVER, that confidential information shall not include any information generally known to the public (other than as a result of unauthorized disclosure by the Executive) or any information of a type not otherwise considered confidential by persons engaged in the same business or a business similar to that conducted by the Company.

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

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

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

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

11. NOTICES. Any notice required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given when delivered by hand or when deposited in the United States mail by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Company:
Kristen Bratberg
Pediatrix Medical Group, Inc.
1301 Concord Terrace
Sunrise, Florida 33323

If to the Executive:
Brian T. Gillon
700 NE 26th Avenue
Ft. Lauderdale, FL 33304

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

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

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

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

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

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

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

PEDIATRIX MEDICAL GROUP, INC.	THE EXECUTIVE:
/s/ KRISTEN BRATBERG	/s/ BRIAN T. GILLON
Kristen Bratberg	Brian T. Gillon
President	

EXHIBIT 10.16

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PEDIATRIX MEDICAL GROUP

AMENDED AND RESTATED
CREDIT AGREEMENT

Originally Dated as of June 27, 1996
As Amended and Restated as of November 1, 2000

FLEET NATIONAL BANK, Agent and Lender
SUNTRUST BANK, Documentation Agent and Lender

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PEDIATRIX MEDICAL GROUP
AMENDED AND RESTATED
CREDIT AGREEMENT

This Agreement, originally dated as of June 27, 1996 and amended and restated as of November 1, 2000, is among Pediatrix Medical Group, Inc., a Florida corporation, the Related Entities of Pediatrix Medical Group, Inc. from time to time party hereto, the Lenders from time to time party hereto including Fleet National Bank, formerly known as The First National Bank of Boston, both in its capacity as a Lender under the Revolving Loan, the Letters of Credit and Mortgage Loan and in its capacity as agent for itself and the other Lenders, SunTrust Bank, both in its capacity as a Lender under the Revolving Loan and the Letters of Credit and in its capacity as documentation agent and UBS AG, Stamford Branch, in its capacity as a Lender under the Revolving Loan and the Letters of Credit. The parties agree as follows:

1. RESTATEMENT; DEFINITIONS.

1.1. RESTATEMENT. Effective as of the Initial Closing Date, this Agreement amends and restates in its entirety the Credit Agreement dated as of June 27, 1996, as previously amended and in effect on the date hereof, among the Borrowers and a group of lenders for which the Agent is acting as agent. Amounts in respect of interest, commitment fees, and other amounts payable hereunder shall be payable in accordance with the terms of this Agreement as in effect prior to the amendment and restatement on the Initial Closing Date for periods prior to the Initial Closing Date and in accordance with this Agreement as amended and restated hereby for periods from and after the Initial Closing Date.

1.1. CERTAIN RULES OF CONSTRUCTION. Certain capitalized terms are used in this Agreement and in the other Credit Documents with the specific meanings defined below in this Section 1. Except as otherwise explicitly specified to the contrary or unless the context clearly requires otherwise, (a) the capitalized term "Section" refers to sections of this Agreement, (b) the capitalized term "Exhibit" refers to exhibits to this Agreement, (c) references to a particular Section include all subsections thereof, (d) the word "including" shall be construed as "including without limitation", (e) accounting terms not otherwise defined herein have the meaning provided under GAAP, (f) terms defined in the UCC and not otherwise defined herein have the meaning provided under the UCC, (g) references to a particular statute or regulation include all rules and regulations thereunder and any successor statute, regulation or rules, in each case as from time to time in effect and (h) references to a particular Person include such Person's successors and assigns to the extent not prohibited by this Agreement and the other Credit Documents. References to "the date hereof" mean the date first set forth above.

1.2. "ACCUMULATED BENEFIT OBLIGATIONS" means the actuarial present value of the accumulated benefit obligations under any Plan, calculated in accordance with Statement No. 87 of the Financial Accounting Standards Board.

1.3. "ACQUIRED PARTY" shall mean any Person, 100% of the outstanding capital stock or beneficial interests or substantially all of the assets of which are acquired by any Borrower in connection with a Permitted Acquisition.

1.4. "AFFECTED LENDER" is defined in Section 12.3.

1.5. "AFFILIATE" means, with respect to any Borrower (or any other specified Person), any other Person directly or indirectly controlling, controlled by or under direct or indirect common control with such Borrower, and shall include (a) any executive officer or director or general partner of such Borrower and (b) any Person of which such Borrower or any Affiliate (as defined in clause (a) above) of such Borrower shall, directly or indirectly, beneficially own either (i) at least 10% of the outstanding equity securities having the general power to vote or (ii) at least 10% of all equity interests.

1.6. "AGENT" means Fleet National Bank, in its capacity as agent for the Lenders hereunder, as well as its successors and assigns in such capacity.

1.7. "AGREEMENT" means this Agreement as from time to time amended, modified and in effect.

1.8. "APPLICABLE MARGIN" means on each day, the per annum percentage in the table below set opposite the ratio of (i) Consolidated Financing Debt as of the end of the most recent fiscal quarter for which financial statements have been furnished to the Lenders in accordance with Sections 6.4.1 and 6.4.2 prior to such day to (ii) the Consolidated EBITDA for the period of four consecutive fiscal quarters ending with such fiscal quarter:

APPLICABLE MARGIN (%)

Ratio of Consolidated Financing Debt to Consolidated EBITDA	Base Rate Option	Eurodollar Pricing Option	Commitment Fee
>=.0x	0	2.50%	0.500
>= 1.5x <2.0x	0	2.25%	0.375%
<1.5x	0	2.00%	0.375%

Changes in the Applicable Margin shall occur on each Pricing Reset Date; PROVIDED, HOWEVER, that in the event that the financial statements required to be delivered pursuant to Section 6.4.1 or 6.4.2, as applicable, are not delivered by the latest date permissible under Section 6.4.1 or 6.4.2, as the case may be (the "LATE DELIVERY DATE"), and if, upon deliver of such financial statements, it is determined that delivery of such financial statements on the Late Delivery Date would have resulted in an increase in the Applicable Margin on the first Pricing Reset Date after the Late Delivery Date (the "LATE PRICING RESET DATE"), such increase will be deemed effective as of the Late Pricing Reset Date.

1.9. "APPLICABLE RATE" means, at any date, the sum of:

(a)(i) with respect to any portion of the Revolving Loan subject to a Eurodollar Pricing Option, the sum of the Applicable Margin attributable to such portion of the Revolving Loan PLUS the Eurodollar Rate with respect to such Eurodollar Pricing Option;

(ii) with respect to any other portion of the Revolving Loan, the sum of the Applicable Margin attributable to such portion of the Revolving Loan PLUS the Base Rate;

(iii) with respect to the Mortgage Loan, the rate set forth in the Mortgage Note;

PLUS (b) an additional 2% effective on the day the Agent notifies the Company that the interest rates hereunder are increasing as a result of the occurrence and continuance of an Event of Default until the earlier of such time as (i) such Event of Default is no longer continuing or (ii) such Event of Default is deemed no longer to exist, in each case pursuant to Section 8.3.

1.10. "APPROVED SUBORDINATED DEBT" means debt subordinated and junior in right of payment to prior payment in full of all Credit Obligations pursuant to a subordination agreement, the terms of which shall be satisfactory to the Agent.

1.11. "ACQUISITION AGREEMENT" means the documentation pursuant to which any Borrower commits itself to make a Permitted Acquisition.

1.12. "ASSIGNEE" is defined in Section 12.11.

1.13. "ASSIGNMENT AND ACCEPTANCE" is defined in Section 12.1.1.

1.14. "BANKING DAY" means any day other than Saturday, Sunday or a day on which banks in Boston, Massachusetts are authorized or required by law or other governmental action to close and, if such term is used with reference to a Eurodollar Pricing Option, any day on which dealings are effected in the Eurodollars in question by first-class banks in the inter-bank Eurodollar markets in New York, New York.

1.15. "BANKRUPTCY CODE" means Title 11 of the United States Code.

1.16. "BANKRUPTCY DEFAULT" means an Event of Default referred to in Section 8.1.11.

1.17. "BASE RATE" means, on any date, the greater of (a) the rate of interest announced by the Agent at the Boston Office as its Base Rate or (b) the sum of 1/2% PLUS the Federal Funds Rate.

1.18. "BORROWERS" means, jointly and severally, the Company, its Related Entities and such other Related Entities as shall become Borrowers hereunder in accordance with Section 5.3.2.

1.19. "BOSTON OFFICE" means the principal banking office of the Agent in Boston, Massachusetts.

1.20. "BYLAWS" means all written bylaws, rules, regulations and all other documents relating to the management, governance or internal regulation of any Person other than an individual, or interpretive of the Charter of such Person, all as from time to time in effect.

1.21. "CAPITAL EXPENDITURES" means, for any period, amounts added or required to be added to the property, plant and equipment or other fixed assets account on the Consolidated balance sheet of the Company and its Subsidiaries, prepared in accordance with GAAP, in respect of (a) the acquisition, construction, improvement or replacement of land, buildings, machinery, equipment, leaseholds and any other real or personal property, and (b) to the extent not included in clause (a) above, materials, contract labor and direct labor relating thereto (excluding amounts properly expensed as repairs and maintenance in accordance with GAAP).

1.22. "CAPITALIZED LEASE" means any lease which is required to be capitalized on the balance sheet of the lessee in accordance with GAAP, including Statement Nos. 13 and 98 of the Financial Accounting Standards Board.

1.23. "CAPITALIZED LEASE OBLIGATIONS" means the amount of the liability reflecting the aggregate discounted amount of future payments under all Capitalized Leases calculated in accordance with GAAP, including Statement Nos. 13 and 98 of the Financial Accounting Standards Board.

1.24. "Cash Equivalents" means:

(a) negotiable certificates of deposit, time deposits (including sweep accounts), demand deposits and bankers' acceptances issued by any United States financial institution having capital and surplus and undivided profits aggregating at least $100,000,000 and rated at least Prime-1 by Moody's Investors Service, Inc. or A-1 by Standard & Poor's Ratings Group or issued by any Lender;

(b) short-term corporate obligations rated at least Prime-1 by Moody's Investors Service, Inc. or A-1 by Standard & Poor's Ratings Group or issued by any Lender;

(c) any direct obligation of the United States of America or any agency or instrumentality thereof, or of any state or municipality thereof, (i) which has a

remaining maturity at the time of purchase of not more than one year or which is subject to a repurchase agreement with any Lender (or any other financial institution referred to in clause (a) above) exercisable within one year from the time of purchase and (ii) which, in the case of obligations of any state or

municipality, is rated at least Aa by Moody's Investors Service, Inc. or AA by Standard & Poor's Ratings Group; and

(d) any mutual fund or other pooled investment vehicle rated at least Aa by Moody's Investors Service, Inc. or AA by Standard & Poor's Ratings Group which invests principally in obligations described above.

1.25. "CERCLA" means the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980.

1.26. "CERCLIS" means the federal Comprehensive Environmental Response Compensation Liability Information System List (or any successor document) promulgated under CERCLA.

1.27. "CHARTER" means the articles of organization, certificate of incorporation, statute, constitution, joint venture agreement, partnership agreement, trust indenture, limited liability company agreement or other charter document of any Person other than an individual, each as from time to time in effect.

1.28. "CLOSING DATE" means the Initial Closing Date and each other date on which any extension of credit is made pursuant to Sections 2.1 or 2.2.

1.29. "CODE" means the federal Internal Revenue Code of 1986, as amended from time to time.

1.30. "COMMITMENT" means, with respect to any Lender, such Lender's obligations to extend the credits contemplated by Section 2. The original Commitments are set forth in Section 11.1 and the current Commitments are recorded from time to time in the Register.

1.31. "COMPANY" means Pediatrix Medical Group, Inc., a Florida corporation.

1.32. "COMPUTATION COVENANTS" means Sections 6.5, 6.9.4, 6.11, 6.12 and 6.13.

1.33. "CONSOLIDATED" and "CONSOLIDATING", when used with reference to any term, mean that term as applied to the accounts of the Company (or other specified Person) and all of its Related Entities (or other specified group of Persons), or such of its Related Entities as may be specified, consolidated (or combined) or consolidating (or combining), as the case may be, in accordance with GAAP and with appropriate deductions for minority interests in Related Entities.

1.34. "CONSOLIDATED EBITDA" means, for any period, an amount equal to the sum of (a) the Net Income (or loss) of the Company and its Related Entities plus (b) all amounts deducted in computing such Net Income in respect of (i) taxes based upon or measured by income, (ii) Consolidated Interest Expense and (iii) depreciation and amortization.

1.35. "CONSOLIDATED FINANCING DEBT" means, at any date, all Financing Debt of the Company and its Related Entities.

1.36. "CONSOLIDATED FIXED CHARGES" means, for any period, the sum of:

(a) Consolidated Interest Expenses;

PLUS (b) the aggregate amount of all mandatory scheduled payments, prepayments and sinking fund payments with respect to principal paid or accrued by the Company and its Related Entities in respect of Financing Debt, including payments in the nature of principal under Capitalized Leases and Interest Rate Protection Agreements, in accordance with GAAP on a Consolidated basis;

PLUS (c) any mandatory dividends paid or payable by the Company or any of its Related Entities to third parties.

1.37. "CONSOLIDATED INTEREST EXPENSE" means, for any period, the aggregate amount of interest, including commitment fees and payments in the nature of interest under Capitalized Leases (whether such interest is reflected as an item of expense or capitalized), paid or accrued by the Company and its Related Entities in accordance with GAAP.

1.38. "CONSOLIDATED NET REVENUE" means for any period,

(a) the net operating revenues (after reductions for returns, discounts, commissions and bad debt reserves) of the Company and its Related Entities determined in accordance with GAAP on a consolidated basis;

MINUS (b) any proceeds included in such net operating revenues from the sale, refinancing, condemnation, or destruction of assets.

1.39. "CONSOLIDATED NET WORTH" means, at any date, the stockholders' equity of the Company and its Related Entities at such date determined in accordance with GAAP on a Consolidated basis.

1.40. "CONSOLIDATED TANGIBLE NET WORTH" means, at any date, the total of (a) stockholders' equity of the Company and its Related Entities determined in accordance with GAAP on a Consolidated basis, MINUS (b) the amount of intangible assets carried on the balance sheet of the Company and its Subsidiaries determined in accordance with GAAP on a Consolidated basis, including goodwill, patents, patent applications, copyrights, trademarks, tradenames, research and development expense, organizational expense, unamortized debt discount, deferred financing charges and debt acquisition costs.

1.41. "CONTROL GROUP PERSON" means the Company, any Subsidiary of the Company and any Person which is a member of the controlled group or under common control with the Company or any Subsidiary within the meaning of section 414 of the Code or section 4001(a)(14) of ERISA.

1.42. "Credit Documents" means:

(a) this Agreement, the Revolving Notes, each Letter of Credit and each draft presented or accepted under a Letter of Credit, the Mortgage Note and the Mortgage, each as from time to time in effect;

(b) the Security Agreement and all financial statements, reports, notices, mortgages, assignments, UCC financing statements or certificates delivered to the Agent or any of the Lenders by any of the Borrowers or any other Obligor in connection herewith or therewith; and

(c) any other present or future agreement or instrument from time to time entered into among any of the Borrowers or any other Obligor, on one hand, and the Agent, or all the Lenders, on the other hand, relating to, amending or modifying this Agreement or any other Credit Document referred to above or which is stated to be a Credit Document, each as from time to time in effect.

1.43. "CREDIT OBLIGATION ADVANCE" is defined in Section 2.1.3.

1.44. "CREDIT OBLIGATIONS" means all present and future liabilities, obligations and Indebtedness of any of the Borrowers or any other Obligor owing to the Agent or any Lender under or in connection with this Agreement or any other Credit Document, including obligations in respect of principal, interest, reimbursement obligations under Letters of Credit, commitment fees, amounts provided for in Sections 3.2.4, 3.3, 3.4, 3.5, 3.6, 3.7, 3.8 and 10 and other fees, charges, indemnities and expenses from time to time owing hereunder or under any other Credit Document (whether accruing before or after a Bankruptcy Default).

1.45. "CREDIT PARTICIPANT" is defined in Section 12.2.

1.46. "CREDIT SECURITY" means all assets now or from time to time hereafter subjected to a security interest, mortgage or charge (or intended or required so to be subjected pursuant to the Security Agreement or any other Credit Document) to secure the payment or performance of any of the Credit Obligations.

1.47. "DOCUMENTATION AGENT" means SunTrust Bank, in its capacity as documentation agent for the Lenders hereunder, as well as its successors and assigns in such capacity.

1.48. "DEFAULT" means any Event of Default and any event or condition which with the passage of time or giving of notice, or both, would become an Event of Default and the filing against the Company, any of its Related Entities or any other Obligor of a petition commencing an involuntary case under the Bankruptcy Code.

1.49. "DELINQUENCY PERIOD" is defined in Section 11.4.3.

1.50. "DELINQUENT LENDER" is defined in Section 11.4.3.

1.51. "DELINQUENT PAYMENT" is defined in Section 11.4.3.

1.52. "DISTRIBUTION" means, with respect to the Company (or other specified Person):

(a) the declaration or payment of any dividend or distribution, including dividends payable in shares of capital stock of or other equity interests in the Company (or such specified Person), on or in respect of any shares of any class of capital stock of or other equity interests in the Company (or such specified Person);

(b) the purchase or redemption of any shares of any class of capital stock of or other equity interest in the Company (or such specified Person) or of options, warrants or other rights for the purchase of such shares, directly, indirectly through a Related Entity or otherwise;

(c) any other distribution on or in respect of any shares of any class of capital stock of or equity or other beneficial interest in the Company (or such specified Person);

(d) any payment of principal or interest with respect to, or any purchase, redemption or defeasance of, any Indebtedness of the Company (or such specified Person) which by its terms or the terms of any agreement is subordinated to the payment of the Credit Obligations; and

(e) any payment, loan or advance by the Company (or such specified Person) to, or any other Investment by the Company (or such specified Person) in, the holder of any shares of any class of capital stock of or equity interest in the Company (or such specified Person), or any Affiliate of such holder;

PROVIDED, HOWEVER, that the term "Distribution" shall not include (i) dividends payable in perpetual common stock of or other similar equity interests in the Company (or such specified Person) or (ii) payments in the ordinary course of business in respect of (A) reasonable compensation paid to employees, officers and directors, (B) advances to employees for travel expenses, drawing accounts and similar expenditures, or (C) rent paid to, or accounts payable for services rendered or goods sold by, non-Affiliates that own capital stock of or other equity interests in the Company (or such specified Person).

1.53. "EBITDA" means, for any period, an amount equal to the sum of (a) the Net Income (or loss) of any Person for such period PLUS (b) all amounts deducted in computing such Net Income in respect of (i) taxes based upon or measured by income, (ii) Interest Expense and (iii) depreciation and amortization.

1.54. "ENVIRONMENTAL LAWS" means all applicable federal, state or local statutes, laws, ordinances, codes, rules, regulations and guidelines (including consent decrees and administrative orders) relating to public health and safety and protection of the environment, including OSHA.

1.55. "ERISA" means the federal Employee Retirement Income Security Act of 1974.

1.56. "EURODOLLARS" means, with respect to any Lender, deposits of coin or currency of United States of America in a non-United States office or an international banking facility of such Lender.

1.57. "EURODOLLAR BASIC RATE" means, for any Eurodollar Interest Period, the rate of interest at which Eurodollar deposits in an amount comparable to the portion of the Revolving Loan as to which a Eurodollar Pricing Option has been elected and which have a term corresponding to such Eurodollar Interest Period are offered to the Agent by first class banks in the inter-bank Eurodollar market for delivery in immediately available funds at a Eurodollar Office on the first day of such Eurodollar Interest Period as determined by the Agent at approximately 10:00 a.m. (Boston time) two Banking Days prior to the date upon which such Eurodollar Interest Period is to commence (which determination by the Agent shall, in the absence of manifest error, be conclusive).

1.58. "EURODOLLAR INTEREST PERIOD" means any period, selected as provided in Section 3.2.1, of one, two, three or six months, commencing on any Banking Day and ending on the corresponding date in the subsequent calendar month so indicated (or, if such subsequent calendar month has no corresponding date, on the last day of such subsequent calendar month); PROVIDED, HOWEVER, that subject to Section 3.2.3, if any Eurodollar Interest Period so selected would otherwise begin or end on a date which is not a Banking Day, such Eurodollar Interest Period shall instead begin or end, as the case may be, on the immediately preceding or succeeding Banking Day as determined by the Agent in accordance with the then current banking practice in the inter-bank Eurodollar market with respect to Eurodollar deposits at the applicable Eurodollar Office, which determination by the Agent shall, in the absence of manifest error, be conclusive.

1.59. "EURODOLLAR OFFICE" means such non-United States office or international banking facility of the Agent as the Agent may from time to time select.

1.60. "EURODOLLAR PRICING OPTIONS" means the options granted pursuant to Section 3.2.1 to have the interest on any portion of a Revolving Loan computed on the basis of a Eurodollar Rate.

1.61. "EURODOLLAR RATE" for any Eurodollar Interest Period means the rate, rounded upward to the nearest 1/100%, obtained by dividing (a) the Eurodollar Basic Rate for such Eurodollar Interest Period by (b) an amount equal to 1 minus the Eurodollar Reserve Rate; PROVIDED, HOWEVER, that if at any time during such Eurodollar Interest Period the Eurodollar Reserve Rate applicable to any outstanding Eurodollar Pricing Option changes, the Eurodollar Rate for such Eurodollar Interest Period shall automatically be adjusted to reflect such change, effective as of the date of such change.

1.62. "EURODOLLAR RESERVE RATE" means the stated maximum rate (expressed as a decimal) of all reserves (including any basic, supplemental, marginal or emergency reserve or any reserve asset), if any, as from time to time in effect, required by any Legal Requirement to be maintained by any Lender against (a) "Eurocurrency liabilities" as specified in Regulation D of the Board of Governors of the Federal Reserve System applicable to Eurodollar Pricing Options, (b) any other category of liabilities that includes Eurodollar deposits by reference to which the interest rate on portions of the Revolving Loan subject to Eurodollar Pricing Options is determined, (c) the principal amount of or interest on any portion of the Revolving Loan subject to a Eurodollar Pricing Option or (d) any other category of extensions of credit, or other assets, that includes loans subject to a Eurodollar Pricing Option by a non-United States office of any of the Lenders to United States residents, in each case without the benefits of credits for prorations, exceptions or offsets that may be available to a Lender.

1.63. "EVENT OF DEFAULT" is defined in Section 8.1.

1.64. "EXCHANGE ACT" means the federal Securities Exchange Act of 1934.

1.65. "FACA" means the Federal Assignment of Claims Act as set forth in 31 U.S.C. ss. 3727 and 41 U.S.C. ss. 15.

1.66. "FEDERAL FUNDS RATE" means, for any day, the rate equal to the weighted average (rounded upward to the nearest 1/8%) of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, (a) as such weighted average is published for such day (or, if such day is not a Banking Day, for the immediately preceding Banking Day) by the Federal Reserve Bank of New York or (b) if such rate is not so published for such Banking Day, as determined by the Agent using any reasonable means of determination. Each determination by the Agent of the Federal Funds Rate shall, in the absence of manifest error, be conclusive.

1.67. "FINAL MATURITY DATE" means (i) with respect to the Revolving Loan, September 30, 2001 and (ii) with respect to the Mortgage Loan, June 30, 2003.

1.68. "FINANCIAL OFFICER" of the Company (or other specified Person) means its chief executive officer, chief financial officer, chief operating officer, chairman, president, treasurer or any of its vice presidents whose primary responsibility is for its financial affairs, all of whose incumbency and signatures have been certified to the Agent by the secretary or other appropriate attesting officer of the Company (or such specified Person).

1.69. "FINANCING DEBT" means each of the items described in clauses (a) through (e) of the definition of the term "Indebtedness".

1.70. "FUNDING LIABILITY" means (a) any Eurodollar deposit which was used (or deemed by Section 3.2.6 to have been used) to fund any portion of the Revolving Loan subject to a Eurodollar Pricing Option, and (b) any portion of the Revolving Loan subject to a Eurodollar Pricing Option funded (or deemed by Section 3.2.6 to have been funded) with the proceeds of any such Eurodollar deposit.

1.71. "GAAP" means generally accepted accounting principles as from time to time in effect, including the statements and interpretations of the United States Financial Accounting Standards Board PROVIDED, HOWEVER, that for purposes of compliance with Section 6 (other than Section 6.4) and related definitions, "GAAP" means such principles as in effect on the date hereof as applied by the Borrowers in preparation of the financial statements referred to in Section 7.2, and consistently followed, without giving effect to any subsequent changes thereto.

1.72. "GUARANTEE" means, with respect to the Company (or other specified Person):

(a) any guarantee by the Company (or such specified Person) of the payment or performance of, or any contingent obligation by the Company (or such specified Person) in respect of, any Indebtedness or other obligation of any primary obligor other than the Company or other Borrower (or such specified Person);

(b) any other arrangement whereby credit is extended to a primary obligor on the basis of any promise or undertaking of the Company or other Borrower (or such specified Person), including any binding "comfort letter" or "keep well agreement" written by the Company (or such specified Person), to a creditor or prospective creditor of such primary obligor, to (i) pay the Indebtedness of such primary obligor, (ii) purchase an obligation owed by such primary obligor, (iii) pay for the purchase or lease of assets or services regardless of the actual delivery thereof or (iv) maintain the capital, working capital, solvency or general financial condition of such primary obligor;

(c) any liability of the Company (or such specified Person), as a general partner of a partnership in respect of Indebtedness or other obligations of such partnership;

(d) any liability of the Company (or such specified Person) as a joint venturer of a joint venture in respect of Indebtedness or other obligations of such joint venture;

(e) reimbursement obligations, whether contingent or matured, of the Company (or such specified Person) with respect to letters of credit, bankers acceptances, surety bonds, other financial guarantees and Interest Rate Protection Agreements,

whether or not any of the foregoing are reflected on the balance sheet of the Company (or such specified Person) or in a footnote thereto; PROVIDED, HOWEVER, that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Guarantee and the amount of Indebtedness resulting from such Guarantee shall be the maximum amount that the guarantor may become obligated to pay in respect of the obligations (whether or not such obligations are outstanding at the time of computation).

1.73. "GUARANTOR" means each Borrower, each Subsidiary of the respective Borrowers which subsequently becomes party to this Agreement as a Guarantor.

1.74. "HAZARDOUS MATERIAL" means any pollutant, toxic or hazardous material or waste, including any "hazardous substance" or "pollutant" or "contaminant" as defined in section 101(14) of CERCLA or any other Environmental Law or regulated as toxic or hazardous under RCRA or any other Environmental Law.

1.75. "HEALTH BENEFIT LAWS" means all federal, state and local statutes and regulations related to the licensure, certification, qualification or authority to transact business relating to the provision of and/or payment for health benefits, including without limitation health maintenance organization laws, insurance laws, reinsurance and insolvency laws, preferred provider organization laws, point-of-service laws, certificate of need laws, third party administrator laws, ERISA, COBRA, provider credentialling laws, utilization review laws, coordination of benefit requirements, hospital reimbursement laws, Medicaid participation laws, insurance holding company laws, fraud and abuse laws and patient referral laws.

1.76. "INDEBTEDNESS" means all obligations, contingent or otherwise, which in accordance with GAAP are required to be classified upon the balance sheet of the Company (or other specified Person) as liabilities, but in any event including (without duplication):

(a) borrowed money;

(b) indebtedness evidenced by notes, debentures or similar instruments;

(c) Capitalized Lease Obligations;

(d) deferred purchase price of assets (other than normal trade accounts payable in the ordinary course of business);

(e) mandatory redemption or dividend rights on capital stock (or other equity);

(f) unfunded pension liabilities;

(g) obligations that are immediately and directly due and payable out of the proceeds of or production from property;

(h) liabilities secured by any Lien existing on property owned or acquired by the Company (or such specified Person), whether or not the liability secured thereby shall have been assumed; and

(i) all Guarantees in respect of Indebtedness of others.

1.77. "INDEMNIFIED PARTY" is defined in Section 10.2.

1.78. "INITIAL CLOSING DATE" means the first date on which all the conditions set forth in Section 5.1 and 5.4 have been satisfied.

1.79. "INTEREST RATE PROTECTION AGREEMENT" means any interest rate swap, interest rate cap, interest rate hedge or other contractual arrangement that converts variable interest rates into fixed interest rates, fixed interest rates into variable interest rates or other similar arrangements.

1.80. "INTEREST EXPENSE" means, for any period, the aggregate amount of interest, including commitment fees and payments in the nature of interest under Capitalized Leases (whether such interest is reflected as an item of expense or capitalized), paid or accrued by any Person.

1.81. "INVESTMENT" means, with respect to any Borrower (or other specified Person):

(a) any share of capital stock, partnership or other equity interest, evidence of Indebtedness or other security issued by any other Person;

(b) any loan, advance or extension of credit to, or contribution to the capital of, any other Person;

(c) any Guarantee of the Indebtedness of any other Person;

(d) any acquisition of all or any part of the business of any other Person or the assets comprising such business or part thereof;

(e) any commitment or option to make any Investment; and

(f) any other similar investment.

The investments described in the foregoing clauses (a) through (f) shall be included in the term "Investment" whether they are made or acquired by purchase, exchange, issuance of stock or other securities, merger, reorganization or any other method; PROVIDED, HOWEVER, that the term "Investment" shall not include (i) trade and customer accounts receivable for property leased, goods furnished or services rendered in the ordinary course of business and payable in accordance with customary trade terms, (ii) advances and prepayments to suppliers for property leased, goods furnished and services rendered in the ordinary course of business, (iii) advances to employees, agents or consultants in the ordinary course of business, including travel expenses, drawing accounts, payroll and similar expenditures, (iv) stock or other securities acquired in connection with the satisfaction or enforcement of Indebtedness or claims due to the Company (or such specified Person) or as security for any such Indebtedness or claim or (v) demand deposits in banks or similar financial institutions.

1.82. "LATE DELIVERY DATE" is defined in the definition of "APPLICABLE MARGIN" in Section 1.9.

1.83. "LATE PRICING RESET DATE" is defined in the definition of "APPLICABLE MARGIN" in Section 1.9.

1.84. "LEGAL REQUIREMENT" means any present or future requirement imposed upon any of the Lenders or the Company and its Related Entities by any law, statute, rule, regulation, directive, order, decree, guideline (or any interpretation thereof by courts or of administrative bodies) of the United States of America, or any jurisdiction in which any Eurodollar Office is located or any state or political subdivision of any of the foregoing, or by any board, governmental or administrative agency, central bank or monetary authority of the United States of America, any jurisdiction in which any Eurodollar Office is located, or any

political subdivision of any of the foregoing including, but not limited to, all Health Benefit Laws, including but not limited to all Health Benefit Laws. Any such requirement imposed on any of the Lenders which such Lender reasonably believes has the force of law shall be deemed to be a Legal Requirement.

1.85. "LENDER" means each of the Persons listed as lenders on the signature page hereto, including the Agent in its capacity as a Lender and such other Persons who may from time to time own a Percentage Interest in either of the Loans.

1.86. "LENDING OFFICER" means such individuals whom the Agent may designate by notice to the Company from time to time as an officer who may receive telephone requests for borrowings under Section 2.1.3.

1.87. "LETTER OF CREDIT" is defined in Section 2.2.1.

1.88. "LETTER OF CREDIT EXPOSURE" means, at any date, the sum of (a) the aggregate face amount of all drafts that may then or thereafter be presented by beneficiaries under all Letters of Credit then outstanding, PLUS (b) the aggregate face amount of all drafts that the Letter of Credit Issuer has previously accepted under Letters of Credit but has not paid.

1.89. "LETTER OF CREDIT ISSUER" means, for any Letter of Credit, the Agent or, in the event the Agent does not for any reason issue a requested Letter of Credit, another Lender selected by the Borrower to issue such Letter of Credit.

1.90. "LIEN" means, with respect to the Company (or any other specified Person):

(a) any lien, encumbrance, mortgage, pledge, charge or security interest of any kind upon any property or assets of the Company (or such specified Person), whether now owned or hereafter acquired, or upon the income or profits therefrom;

(b) the acquisition of, or the agreement to acquire, any property or asset upon conditional sale or subject to any other title retention agreement, device or arrangement (including a Capitalized Lease);

(c) the sale, assignment, pledge or transfer for security of any accounts, general intangibles or chattel paper of the Company (or such specified Person), with or without recourse;

(d) the transfer of any tangible property or assets for the purpose of subjecting such items to the payment of previously outstanding Indebtedness in priority to payment of the general creditors of the Company (or such specified Person); and

(e) the existence for a period of more than 120 consecutive days of any Indebtedness against the Company (or such specified Person) which if unpaid would by law or upon a Bankruptcy Default be given any priority over general creditors.

1.91. "LOANS" means the Mortgage Loan and the Revolving Loan, collectively.

1.92. "LOAN ACCOUNTS" is defined in Section 2.1.4.

1.93. "MARGIN STOCK" means "margin stock" within the meaning of Regulations G, T, U or X of the Board of Governors of the Federal Reserve System.

1.94. "MATERIAL ADVERSE CHANGE" means, since any specified date or from the circumstances existing immediately prior to the happening of any specified event, a material adverse change in (a) the business, assets, financial condition, income or prospects of the Company and its Related Entities, whether as a result of (i) general economic conditions affecting the industry in which the Company and its Related Entities are engaged, (ii) difficulties in obtaining supplies and raw materials, (iii) fire, flood or other natural calamities, (iv) environmental pollution, (v) regulatory changes, judicial decisions, war or other governmental action or (vi) any other event or development, whether or not related to those enumerated above or (b) the ability of the Obligors to perform their obligations under the Credit Documents or (c) the rights and remedies of the Agent and the Lenders under the Credit Documents.

1.95. "MATERIAL AGREEMENTS" is defined in Section 7.2.2.

1.96. "MATERIAL PLAN" means any Plan or Plans, collectively, as to which (a) the excess of (i) the aggregate Accumulated Benefit Obligations under such Plan or Plans over (ii) the aggregate fair market value of the assets of such Plan or Plans allocable to such benefits, all determined as of the then most recent valuation date or dates for such Plan or Plans, is greater than (b) $500,000.

1.97. "Maximum Amount of Revolving Credit" is defined in Section 2.1.2.

1.98. "MORTGAGE" means the Mortgage and Security Agreement dated as of September 30, 1993, as modified and in effect from time to time made by the Company in favor of the Agent with respect to the headquarters buildings of the Company located in Fort Lauderdale, Florida.

1.99. "MORTGAGE LOAN" has the meaning provided in Section 2.3.1.

1.100. "MORTGAGE NOTE" has the meaning provided in Section 2.3.2.

1.101. "MULTIEMPLOYER PLAN" means any Plan that is a "multiemployer plan" as defined in section 4001(a)(3) of ERISA.

1.102. "NET INCOME" means, for any period, the net income (or loss) of the Company and its Related Entities, determined in accordance with GAAP; PROVIDED, HOWEVER, that Net Income shall not include the net amount after taxes of:

(a) the income (or loss) of any other Person accrued prior to the date such other Person becomes a Related Entity or is merged into or consolidated with such Person;

(b) all amounts included in computing such net income (or loss) in respect of the write-up of any asset after December 31, 1999;

(c) extraordinary and nonrecurring gains;

(d) the income of any Subsidiary to the extent the payment of such income in the form of a Distribution or repayment of Indebtedness to such Person is not permitted, whether on account of any Charter or Bylaw restriction, any agreement, instrument, deed or lease or any law, statute, judgment, decree or governmental order, rule or regulation applicable to such Subsidiary; and

(e) for the second fiscal quarter of the fiscal year 2000 of the Borrowers, a one-time non-cash charge in an amount not to exceed $7,000,000 resulting form an adjustment effective during such fiscal quarter to the reserve for doubtful accounts.

1.103. "NONPERFORMING LENDER" is defined in Section 11.4.3.

1.104. "OBLIGOR" means the Company, each other Borrower, each Guarantor and each Person guaranteeing, providing collateral for or subordinating obligations to, the Credit Obligations.

1.105. "OPERATING CASH FLOW" means, for any period, the total of:

(a) Consolidated EBITDA;

MINUS (b) Capital Expenditures;

MINUS (c) taxes based upon or measured by net income that are actually paid in cash during such period.

1.106. "OVERDUE REIMBURSEMENT RATE" means, at any date, the highest Applicable Rate then in effect.

1.107. "PAYMENT DATE" means the first Banking Day of each quarter, commencing with the first such date after the Initial Closing Date.

1.108. "PBGC" means the Pension Benefit Guaranty Corporation or any successor entity.

1.109. "PERCENTAGE INTEREST" is defined in Section 11.1.

1.110. "PERFORMING LENDER" is defined in Section 11.4.3.

1.111. "PERMITTED ACQUISITION" means an Investment by any Borrower permitted under Section 6.9.4.

1.112. "PERSON" means any present or future natural person or any corporation, association, partnership, joint venture, limited liability, joint stock or other company, business trust, trust, organization, business or government or any governmental agency or political subdivision thereof.

1.113. "PLAN" means, at any date, any pension benefit plan subject to Title IV of ERISA maintained, or to which contributions have been made or are required to be made, by any ERISA Group Person within six years prior to such date.

1.114. "PRICING RESET DATE" means the first day after annual or quarterly financial statements have been furnished to the Lenders in accordance with Sections 6.4.1 and 6.4.2 from time to time.

1.115. "PRO FORMA EBITDA" shall mean, for any period, the pro forma EBITDA of the Acquired Party, the value and calculation of which must be approved by the Agent.

1.116. "PURCHASE PRICE" means the amount of the consideration, including, but not limited to, cash or Cash Equivalents, capital stock, assets, debt, including contingent or other promissory notes, and any other form of payment, for any Permitted Acquisition.

1.117. "RCRA" means the federal Resource Conservation and Recovery Act, 42 U.S.C. ss. 690, ET SEQ.

1.118. "REGISTER" is defined in Section 12.1.3.

1.119. "RELATED ENTITIES" means all of the Related Entities listed on Exhibit 7.1, as amended from time to time in accordance with Sections 6.4.1 and 6.4.2.

1.120. "RELATED ENTITIES TOTAL LIABILITIES" means, at any date, all Indebtedness of the Company and its Subsidiaries on a Consolidated basis.

1.121. "REPLACEMENT LENDER" is defined in Section 12.3.

1.122. "REQUIRED LENDERS" means, with respect to any approval, consent, modification, waiver or other action to be taken by the Agent or the Lenders under either Loan which require action by the Required Lenders, such Lenders as own at least a two-thirds of the Percentage Interests of such Loan; PROVIDED, HOWEVER, that with respect to any matters referred to in the proviso to Section 11.6, Required Lenders means such Lenders as own at least the respective portions of the Percentage Interests of the relevant Loan required by Section 11.6.

1.123. "REVOLVING LOAN" is defined in Section 2.1.1.

1.124. "REVOLVING NOTES" is defined in Section 2.1.4.

1.125. "SECURITIES ACT" means the federal Securities Act of 1933.

1.126. "SECURITY AGREEMENT" is defined in Section 5.1.3.

1.127. "SELLERS" means the Person or Persons selling or otherwise transferring the capital stock, partnership or other equity interest or assets of the Acquired Party to a Borrower pursuant to a Permitted Acquisition.

1.128. "SUBSIDIARY" means any Person of which the Company (or other specified Person) shall at the time, directly or indirectly through one or more of its Subsidiaries, (a) own at least 50% of the outstanding capital stock (or other shares of beneficial interest) entitled to vote generally, (b) hold at least 50% of the partnership, joint venture or similar interests or (c) be a general partner or joint venturer.

1.129. "TAX" means any present or future tax, levy, duty, impost, deduction, withholding or other charges of whatever nature at any time required by any Legal Requirement (a) to be paid by any Lender or (b) to be withheld or deducted from any payment otherwise required hereby to be made to any Lender, in each case on or with respect to its obligations hereunder, the Loans, any payment in respect of the Credit Obligations or any Funding Liability not included in the foregoing; PROVIDED, HOWEVER, that the term "Tax" shall not include taxes imposed upon or measured by the net income of such Lender (other than withholding taxes) or franchise taxes.

1.130. "TOTAL LIABILITIES" means, at any date, all Indebtedness of the Company and its Related Entities.

1.131. "UCC" means the Uniform Commercial Code as in effect in Massachusetts on the date hereof; PROVIDED, HOWEVER, that with respect to the perfection of the Agent's Lien in the Credit Security and the effect of nonperfection thereof, the term "UCC" means the Uniform Commercial Code as in effect in any jurisdiction the laws of which are made applicable by Section 9-103 of the Uniform Commercial Code as in effect in Massachusetts.

2. THE CREDITS.

2.1. REVOLVING CREDIT.

2.1.1. REVOLVING LOAN. Subject to all the terms and conditions of this Agreement and so long as no Default then exists, from time to time on and after the Initial Closing Date and prior to the Final Maturity Date the Lenders will, severally in accordance with their respective Percentage Interests, make loans to any Borrower in such amounts as may be requested by such Borrower in accordance with Section 2.1.3. The sum of the aggregate principal amount of loans made under this Section 2.1.1 at any one time outstanding shall in no event exceed the Maximum Amount of Revolving Credit. In no event will the principal amount of loans at any one time outstanding made by any Lender pursuant to this Section 2.1 exceed such Lender's Commitment. The aggregate principal amount of the loans made pursuant to this Section 2.1 at anyone time outstanding is referred to as the "REVOLVING LOAN".

2.1.2. MAXIMUM AMOUNT OF REVOLVING CREDIT. The term "MAXIMUM AMOUNT OF REVOLVING CREDIT" means, on any date, the lesser of (a) $75,000,000 or (b) the amount (in an integral multiple of $1,000,000) to which the then applicable amount shall have been irrevocably reduced from time to time by notice from the Company to the Agent.

2.1.3. BORROWING REQUESTS. Any Borrower may from time to time request a loan under Section 2.1.1 by providing to the Agent a notice (which may be given by a telephone call received by a Lending Officer if promptly confirmed in writing). Such notice must be not later than noon (Boston time) on the requested Closing Date, (which shall be the third Banking Day prior to the requested Closing Date for such loan if any portion of such loan will be subject to a Eurodollar Pricing Option on the requested Closing Date). If such notice requested that a loan, or any portion thereof, be made subject to a Eurodollar Pricing Option, and the Agent shall have notified the Borrower pursuant to Section 3.2.2 that such election did not become effective, the notice shall be deemed to have been made for a loan at the Base Rate. The notice must specify (a) the amount of the requested loan (which shall be not less than $100,000 and an integral multiple of $10,000), (b) the requested Closing Date therefor (which shall be a Banking Day) and (c) the portion of the requested loan that is to be used for purposes other than Permitted Acquisitions. Upon receipt of such notice, the Agent will promptly inform each other Lender (by telephone or otherwise). Each such loan will be made at the Boston Office by depositing the amount thereof to the general account of such Borrower with the Agent. In connection with each such loan, such Borrower shall furnish to the Agent a certificate in substantially the form of Exhibit 5.4.1.

Notwithstanding anything contained in this Agreement, (i) the Agent may, in its sole discretion, make Revolving Loans to any Borrower under Section 2.1 at any time and in any amount and may apply any such Revolving Loan to cover the Credit Obligations of such Borrower then due and (ii) subject to all the terms and conditions of this Agreement and so long as no Default exists, if any payment of interest due under this Agreement in respect of the Revolving Loan is not paid when

due, the Agent will make Revolving Loans to the Borrower under Section 2.1 on the third Banking Day after such payment of interest became due in the amount of the interest then due and will apply any such Revolving Loan to cover the interest then due (each Revolving Loan made under clauses (i) or (ii) of this paragraph being a "CREDIT OBLIGATION ADVANCE").

2.1.4. LOAN ACCOUNTS; REVOLVING NOTES. The Agent will establish on its books separate loan accounts for each Borrower (collectively the "LOAN ACCOUNTS") each of which the Agent shall administer as follows: (a) the Agent shall add to each Loan Account, and each Loan Account shall evidence, the principal amount of all loans from time to time made by the Lenders, in accordance with Section 11, to such Borrower pursuant to Section 2.1.1 and (b) the Agent shall reduce each Borrower's Loan Account by the amount of all payments made on account of the Indebtedness evidenced by the Loan Account of such Borrower. The Revolving Loan shall be deemed owed to each Lender severally in accordance with such Lender's Percentage Interest therein, and all payments credited to the Loan Accounts shall be for the account of each Lender in accordance with its Percentage Interest in the Revolving Loan. Each Borrower's obligations to pay each Lender's Percentage Interest in the Revolving Loan shall be evidenced by the notes of such Borrower attached hereto as Exhibit 2.1.4 (the "REVOLVING NOTES"), payable to each Lender in maximum principal amount equal to such Lender's Percentage Interest in the Revolving Loan. Each Lender shall keep a record of the date and amount of (i) each loan made by it to each Borrower pursuant to Section 2.1 and (ii) each payment of principal made by such Borrower pursuant to Section 4. Prior to the transfer of a Revolving Note, the relevant Lender shall endorse on a schedule thereto appropriate notations evidencing such dates and amounts; PROVIDED, HOWEVER, that the failure of the Lender to make any such recordation or endorsement shall not affect the obligations or such Borrower under this Agreement, the Revolving Note or any other Credit Document.

2.2. LETTERS OF CREDIT.

2.2.1. ISSUANCE OF LETTERS OF CREDIT. Subject to all the terms and conditions of this Agreement and so long as no Default exists, from time to time on and after the Initial Closing Date and prior to the date five Banking Days preceding the Final Maturity Date, the Letter of Credit Issuer will issue for the account of the Borrower one or more irrevocable documentary or standby letters of credit (the "LETTERS OF CREDIT"). The sum of Letter of Credit Exposure PLUS the Revolving Loan shall in no event exceed the Maximum Amount of Revolving Credit. Letter of Credit Exposure shall in no event exceed $3,500,000.

2.2.2. REQUESTS FOR LETTERS OF CREDIT. Each Borrower may from time to time request a Letter of Credit to be issued by providing to the Letter of Credit Issuer (and the Agent if the Letter of Credit Issuer is not the Agent) a notice which is actually received by the Agent not less than five Banking Days (for standby Letters of Credit) and one Banking Day (for documentary Letters of Credit) prior to the requested Closing Date for such Letter of Credit specifying (a) the amount of the requested Letter of Credit, (b) the beneficiary thereof, (c) the requested Closing Date and (d) a summary of the principal terms of the text for such Letter of Credit. Each Letter of Credit will be issued by forwarding it to the Borrower or to such other Person as directed in writing by the Borrower. In connection with the issuance of any Letter of Credit, the Borrower shall furnish to the Letter of Credit Issuer (and the Agent if the Letter of Credit Issuer is not the Agent) a certificate in substantially the form of Exhibit 5.4.1 and any customary application forms required by the Letter of Credit Issuer. In the event of any inconsistency between such application forms and this Agreement, this Agreement shall govern.

2.2.3. FORM AND EXPIRATION OF LETTERS OF CREDIT. Each Letter of Credit issued under this Section 2.2 and each draft accepted or paid under such a Letter of Credit shall be issued, accepted or paid, as the case may be, by the Letter of Credit Issuer at its principal office. No Letter of Credit shall provide for the payment of drafts drawn thereunder, and no draft shall be payable, at a date which is later than the earlier of (a) the date 12 months after the date of issuance (which expiration date may be extended at the option of the Letter of Credit Issuer for additional 12-month periods ending prior to the date referred to in clause (b) below) or (b) five Banking Days prior to the Final Maturity Date. Each Letter of Credit and each draft accepted under a Letter of Credit shall be in such form and minimum amount, and shall contain such terms, as the Letter of Credit Issuer and the Borrower may agree upon at the time such Letter of Credit is issued.

2.2.4. LENDERS' PARTICIPATION IN LETTERS OF CREDIT. Upon the issuance of any Letter of Credit, a participation therein, in an amount equal to each Lender's Percentage Interest in the Revolving Loan, shall automatically be deemed granted by the Letter of Credit Issuer to each such Lender on the date of such issuance and such Lenders shall automatically be obligated, as set forth in Section 10.3, to reimburse the Letter of Credit Issuer to the extent of their respective Percentage Interests in the Revolving Loan for all obligations incurred by the Letter of Credit Issuer to third parties in respect of such Letter of Credit not reimbursed by the Borrower. The Letter of Credit Issuer will send to each Lender (and the Agent if the Letter of Credit Issuer is not the Agent) a confirmation regarding the participations in Letters of Credit outstanding during such month.

2.2.5. REIMBURSEMENT OF PAYMENT. At such time as a Letter of Credit Issuer makes any payment on a draft presented or accepted under a Letter of Credit, the amount of such payment shall be considered a loan under Section 2.1.1 (regardless of whether the conditions set forth in Section 5.2 are satisfied) and part of the Revolving Loan as if the Borrower had paid in full the amount required with respect to the Letter of Credit by borrowing such amount under Section 2.1.1, except as provided below. In the event such amount would cause the Revolving Loan to exceed the Maximum Amount of Revolving Credit or in the event the Agent has previously provided written notice to the Borrower that Letter of Credit payments will no longer be considered loans under Section 2.1.1, the Borrower will on demand pay to the Agent in immediately available funds the amount of such payment.

2.2.6. UNIFORM CUSTOMS AND PRACTICE. The Uniform Customs and Practice for Documentary Credits adopted by a Congress of the International Chamber of Commerce, and any subsequent revisions thereof approved by a Congress of the International Chamber of Commerce and adhered to by the Letter of Credit Issuer (the "UNIFORM CUSTOMS AND PRACTICE"), shall be binding on the Borrower and the Letter of Credit Issuer except to the extent otherwise provided herein, in any Letter of Credit or in any other Credit Document. Anything in the Uniform Customs and Practice to the contrary notwithstanding:

(a) With respect to each Letter of Credit, neither the Letter of Credit Issuer nor its correspondents shall be responsible for or shall have any duty to ascertain (unless the Letter of Credit Issuer or such correspondent is grossly negligent or willful in failing so to ascertain):

(b) Except insofar as a particular Letter of Credit contains express, contrary instructions, the Letter of Credit Issuer may honor as complying with the terms of any Letter of Credit and with this Agreement any drafts or other documents otherwise in order signed or issued by an administrator, executor, conservator, trustee in bankruptcy, debtor in possession, assignee for benefit

of creditors, liquidator, receiver or other legal representative of the party authorized under such Letter of Credit to draw or issue such drafts or other documents.

(c) The occurrence of any of the events referred to in the Uniform Customs and Practice or in the preceding clauses of this Section 2.2.6 shall not affect or prevent the vesting of any of the Letter of Credit Issuer's rights or powers hereunder or the Borrower's obligation to make reimbursement of amounts paid under any Letter of Credit or any draft accepted thereunder.

(d) In the event of any conflict between the provisions of this Agreement and the Uniform Customs and Practice, the provisions of this Agreement shall govern.

2.2.7. SUBROGATION. Upon any payment by a Letter of Credit Issuer under any Letter of Credit and until the reimbursement of such Letter of Credit Issuer by the Borrower with respect to such payment, the Letter of Credit Issuer shall be entitled to be subrogated to, and to acquire and retain, the rights which the Person to whom such payment is made may have against the Borrower, all for the benefit of the Lenders. The Borrower will take such action as the Letter of Credit Issuer may reasonably request, including requiring the beneficiary of any Letter of Credit to execute such documents as the Letter of Credit Issuer may reasonably request, to assure and confirm to the Letter of Credit Issuer such subrogation and such rights, including the rights, if any, of the beneficiary to whom such payment is made in accounts receivable, inventory and other properties and assets of any Obligor.

2.2.8. MODIFICATION, CONSENT, ETC. If the Borrower requests or consents in writing to any modification or extension of any Letter of Credit, or waives any failure of any draft, certificate or other document to comply with the terms of such Letter of Credit, the Letter of Credit Issuer shall be entitled to rely on such request, consent or waiver. This Agreement shall be binding upon the Borrower with respect to such Letter of Credit as so modified or extended, and with respect to any action taken or omitted by such Letter of Credit Issuer pursuant to any such request, consent or waiver.

2.3. THE MORTGAGE CREDIT.

2.3.1. MORTGAGE LOAN. The Agent has made a term loan to the Company, in an aggregate principal amount equal to $3,000,000 as of September 30, 1993 The aggregate principal amount of the loan made pursuant to this Section 2.3.1 at any one time outstanding is referred to as the "MORTGAGE LOAN."

2.3.2. MORTGAGE NOTE. The Mortgage Loan is evidenced by a note attached hereto as Exhibit 2.3.2 (the "MORTGAGE NOTE") payable by the Company to the Agent. The Agent keeps a record of the date and amount of (i) the term loan made by the Agent to the Company pursuant to Section 2.2.1 and (ii) each payment of principal made by the Company pursuant to Section 4. Prior to the transfer of the Mortgage Note, the Agent shall endorse on a schedule thereto appropriate notations evidencing such dates and amounts; PROVIDED, HOWEVER, that the failure of the Agent to make any such recordation or endorsement shall not affect the obligations of the Company under this Agreement, the Mortgage Note or any other Credit Document.

2.4. APPLICATION OF PROCEEDS.

2.4.1. THE LOANS. Subject to Section 2.4.2, the Borrowers will apply the proceeds of the Loans for lawful corporate purposes, including (a) to fund Permitted Acquisitions and (b) for working capital.

2.4.2. SPECIFICALLY PROHIBITED APPLICATIONS. The Borrowers will not, directly or indirectly, apply any part of the proceeds of any extension of credit made pursuant to the Credit Documents to purchase or to carry Margin Stock or to any transaction prohibited by Legal Requirements applicable to the Lenders or by the Credit Documents.

2.4.3. LETTERS OF CREDIT. Letters of Credit shall be issued only for such lawful corporate purposes as the Borrower has requested in writing and to which the Letter of Credit Issuer agrees.

2.5. NATURE OF OBLIGATIONS OF LENDERS TO MAKE EXTENSIONS OF CREDIT. The Lenders' obligations to extend credit under this Agreement are several and are not joint or joint and several. If on any Closing Date any Lender shall fail to perform its obligations under this Agreement, the aggregate amount of Commitments to make the extensions of credit under this Agreement shall be reduced by the amount of unborrowed Commitment of the Lender so failing to perform and the Percentage Interests of the relevant Loan shall be appropriately adjusted. Lenders that have not failed to perform their obligations to make the extensions of credit contemplated by Section 2 may, if any such Lender so desires, assume, in such proportions as such Lenders may agree, the obligations of any Lender who has so failed and the Percentage Interests shall be appropriately adjusted. The provisions of this Section 2.5 shall not affect the rights of the Borrowers against any Lender failing to perform its obligations hereunder.

2.6. OBLIGATIONS JOINT AND SEVERAL. Each Borrower shall be jointly and severally liable with all other Borrowers for all Credit Obligations.

3. INTEREST; EURODOLLAR PRICING OPTIONS; FEES.

3.1. INTEREST. The Loans shall accrue and bear interest at a rate per annum which shall at all times equal the Applicable Rate. Prior to any stated or accelerated maturity of the Loans, on each Payment Date each Borrower will pay the accrued and unpaid interest on the portion of the Revolving Loan evidenced by its Loan Account, which portions were not subject to a Eurodollar Pricing Option, and the Company will pay the accrued and unpaid interest on the portion of the Mortgage Loan. On the last day of each Eurodollar Interest Period or on any earlier termination of any Eurodollar Pricing Option, each Borrower will pay the accrued and unpaid interest on the portion of the Revolving Loan evidenced by its Loan Account which expired or terminated on such date. In the case of any Eurodollar Interest Period longer than three months, each Borrower will also pay the accrued and unpaid interest on the portion of the Revolving Loan evidenced by its Loan Account, subject to the Eurodollar Pricing Option having such Eurodollar Interest Period at three-month intervals, the first such payment to be made on the last Banking Day of the three-month period which begins on the first day of such Eurodollar Interest Period. On the stated or any accelerated maturity of the Loans, each Borrower will pay all accrued and unpaid interest on the portion of the Revolving Loan evidenced by its Loan Account, including any accrued and unpaid interest on any portion of such Loans which is subject to a Eurodollar Pricing Option, and the Company will pay the accrued and unpaid interest on the portion of the Mortgage Loan. Upon the occurrence and during the continuance of an Event of Default, the Lenders may require accrued interest to be payable on demand or at regular intervals more frequent than each Payment Date. All payments of interest hereunder shall be made to the Agent for the account of each Lender in accordance with such Lender's Percentage Interest in each Loan.

3.2. EURODOLLAR PRICING OPTIONS.

3.2.1. ELECTION OF EURODOLLAR PRICING OPTIONS. Subject to all of the terms and conditions hereof and so long as no Default exists, any Borrower may from time to time, by irrevocable notice to the Agent actually received not less than three Banking Days prior to the commencement of the Eurodollar Interest Period selected in such notice, elect to have such portion of the Revolving Loans as such Borrower may specify in such notice accrue and bear interest during the Eurodollar Interest Period so selected at the Applicable Rate computed on the basis of the Eurodollar Rate. No such election shall become effective:

(a) if, prior to the commencement of any such Eurodollar Interest Period, the Agent determines that (i) the electing or granting of the Eurodollar Pricing Option in question would violate a Legal Requirement, (ii) Eurodollar deposits in an amount comparable to the principal amount of the Revolving Loan as to which such Eurodollar Pricing Option has been elected and which have a term corresponding to the proposed Eurodollar Interest Period are not readily available in the inter-bank Eurodollar market, or (iii) by reason of circumstances affecting the inter-bank Eurodollar market, adequate and reasonable methods do not exist for ascertaining the interest rate applicable to such deposits for the proposed Eurodollar Interest Period; or

(b) if any Lender shall have advised the Agent by telephone or otherwise at or prior to noon (Boston time) on the second Banking Day prior to the commencement of such proposed Eurodollar Interest Period (and shall have subsequently confirmed in writing) that, after reasonable efforts to determine the availability of such Eurodollar deposits, such Lender reasonably anticipates that Eurodollar deposits in an amount equal to the Percentage Interest of such Lender in the portion of the Revolving Loan as to which such Eurodollar Pricing Option has been elected and which have a term corresponding to the Eurodollar Interest Period in question will not be offered in the Eurodollar market to such Lender at a rate of interest that does not exceed the anticipated Eurodollar Basic Rate.

3.2.2. NOTICE TO LENDERS AND THE BORROWERS. The Agent will promptly inform each Lender (by telephone or otherwise) of each notice received by it from a Borrower pursuant to Section 3.2.1 and of the Eurodollar Interest Period specified in such notice. Upon determination by the Agent of the Eurodollar Rate for such Eurodollar Interest Period or in the event such election shall not become effective, the Agent will promptly notify such Borrower and each Lender (by telephone or otherwise) of the Eurodollar Rate so determined or why such election did not become effective, as the case may be.

3.2.3. SELECTION OF EURODOLLAR INTEREST PERIODS. Eurodollar Interest Periods shall be selected so that:

(a) the minimum portion of the Revolving Loan subject to any Eurodollar Pricing Option shall be $500,000 and an integral multiple of $100,000;

(b) no more than 6 Eurodollar Pricing Options shall be outstanding at any one time; and

(c) no Eurodollar Interest Period with respect to any part of the Revolving Loan subject to a Eurodollar Pricing Option shall expire later than the relevant Final Maturity Date.

3.2.4. ADDITIONAL INTEREST. If any portion of the Revolving Loan subject to a Eurodollar Pricing Option is repaid, or any Eurodollar Pricing Option is terminated for any reason (including acceleration of maturity), on a date which is prior to the last Banking Day of the Eurodollar Interest Period applicable to such Eurodollar Pricing Option, the Borrowers will pay to the Agent for the account of each Lender in accordance with such Lender's Percentage Interest, in addition to any amounts of interest otherwise payable hereunder, an amount equal to the present value (calculated in accordance with this Section 3.2.4) of interest for the unexpired portion of such Eurodollar Interest Period on the portion of the Revolving Loans so repaid, or as to which a Eurodollar Pricing Option was so terminated, at a per annum rate equal to the excess, if any, of (a) the rate applicable to such Eurodollar Pricing Option MINUS (b) the lowest rate of interest obtainable by the Agent upon the purchase of debt securities customarily issued by the Treasury of the United States of America which have a maturity date approximating the last Banking Day of such Eurodollar Interest Period. The present value of such additional interest shall be calculated by discounting the amount of such interest for each day in the unexpired portion of such Eurodollar Interest Period from such day to the date of such repayment or termination at a per annum interest rate equal to the interest rate determined pursuant to clause (b) of the preceding sentence, and by adding all such amounts for all such days during such period. The determination by the Agent of such amount of interest shall, in the absence of manifest error, be conclusive. For purposes of this Section 3.2.4, if any portion of the Revolving Loan which was to have been subject to a Eurodollar Pricing Option is not outstanding on the first day of the Eurodollar Interest Period applicable to such Eurodollar Pricing Option other than for reasons described in Section 3.2.1, the Borrowers shall be deemed to have terminated such Eurodollar Pricing Option.

3.2.5. VIOLATION OF LEGAL REQUIREMENTS. If any Legal Requirement shall prevent any Lender from funding or maintaining through the purchase of deposits in the inter-bank Eurodollar market any portion of the Revolving Loans subject to a Eurodollar Pricing Option or otherwise from giving effect to such Lender's obligations as contemplated by Section 3.2, (a) the Agent may by notice to the Borrowers terminate all of the affected Eurodollar Pricing Options, (b) the portion of the Revolving Loans subject to such terminated Eurodollar Pricing Options shall immediately bear interest thereafter at the Applicable Rate computed on the basis of the Base Rate and (c) the Borrowers shall make any payment required by Section 3.2.4.

3.2.6. FUNDING PROCEDURE. The Lenders may fund any portion of the Revolving Loans subject to a Eurodollar Pricing Option out of any funds available to the Lenders. Regardless of the source of the funds actually used by any of the Lenders to fund any portion of the Revolving Loans subject to a Eurodollar Pricing Option, however, all amounts payable hereunder, including the interest rate applicable to any such portion of the Revolving Loans and the amounts payable under Sections 3.2.4, 3.5, 3.6, 3.7 and 3.8, shall be computed as if each Lender had actually funded such Lender's Percentage Interest in such portion of the Revolving Loans through the purchase of deposits in such amount of the type by which the Eurodollar Basic Rate was determined with a maturity the same as the applicable Eurodollar Interest Period relating thereto and through the transfer of such deposits from an office of the Lender having the same location as the applicable Eurodollar Office to one of such Lender's offices in the United States of America.

3.3. COMMITMENT FEES.

3.3.1. FEE BASE. In consideration of the Lenders' commitments to make the extensions of credit provided for in Section 2.1, while such commitments are outstanding, the

Borrower will pay to the Agent for the account of the Lenders in accordance with the Lenders' respective Percentage Interests in the Revolving Loan, on each Payment Date, an amount equal to interest computed at the rate per annum determined pursuant to Section 3.3.2 on the amount by which (a) the average daily Maximum Amount of Revolving Credit during the three-month period or portion thereof ending on such Payment Date exceeded (b) the sum of (i) the average daily Revolving Loan during such period or portion thereof PLUS (ii) the daily Letter of Credit Exposure during such period or portion thereof; PROVIDED, HOWEVER, that the first such payment shall be for the period beginning on the Initial Closing Date and ending on the first Payment Date.

3.3.2. FEE RATE. On any given Payment Date, the rate applied in computing the fee payable pursuant to this Section 3.3 shall be the rate for Commitment Fees indicated in the definition of "APPLICABLE MARGIN" in Section 1.9 hereof opposite the ratio of Consolidated Financing Debt to Consolidated EBITDA in effect on such Payment Date for purposes of such definition.

3.4. LETTER OF CREDIT FEES. The Borrower will pay to the Agent for the account of each of the Lenders, in accordance with the Lenders' respective Percentage Interests, on each Payment Date, a Letter of Credit fee equal to interest at a rate per annum equal to the Applicable Margin indicated for the Eurodollar Rate on the average daily Letter of Credit Exposure during the three month period or portion thereof ending on such Payment Date. The Borrower will pay to the Letter of Credit Issuer (a) customary service charges and expenses for its services in connection with the Letters of Credit at the times and in the amounts from time to time in effect in accordance with its general rate structure, PLUS (b) on each Payment Date a fronting fee equal to interest at a rate per annum equal to 0.125% on the aggregate face amount of each Letter of Credit issued by such Letter of Credit Issuer during the three month period or portion thereof ending on such Payment Date.

3.5. RESERVE REQUIREMENTS, ETC. If any Legal Requirement shall (a) impose, modify, increase or deem applicable any insurance assessment, reserve, special deposit or similar requirement against any Funding Liability, (b) impose, modify, increase or deem applicable any other requirement or condition with respect to any Funding Liability, or (c) change the basis of taxation of Funding Liabilities (other than changes in the rate of taxes measured by the overall net income of such Lender) and the effect of any of the foregoing shall be to increase the cost to any Lender of issuing, making, funding or maintaining its respective Percentage Interest in any portion of the Revolving Loans subject to a Eurodollar Pricing Option, to reduce the amounts received or receivable by such Lender under this Agreement or to require such Lender to make any payment or forego any amounts otherwise payable to such Lender under this Agreement, then, the Lender shall, promptly after it has made such determination, give notice thereof to the Company. Promptly after the receipt by the Company of any such notice, the Company and the Lender shall attempt to negotiate in good faith an adjustment to the amount payable by the Borrowers to the Lender under this Section 3.4, which amount shall be sufficient to compensate the Lender for such increased cost or reduced return. If the Company and the Lender are unable to agree to such adjustment within thirty days of the date upon which the Company receives such notice, then the Borrowers will, on demand by the Lender, pay to the Lender such additional amount as shall be sufficient, in the Lender's reasonable determination, to compensate the Lender for such increased cost or such reduced return, together with interest at the Overdue Reimbursement Rate from the 30th day after receipt of such certificate until payment in full thereof; PROVIDED, HOWEVER, that the foregoing provisions shall not apply to any Tax or reserves which are included in computing the Eurodollar Reserve Rate. The determination by such Lender of the amount of such costs shall, in the absence of manifest error, be conclusive.

3.6. TAXES. All payments of the Credit Obligations shall be made without set-off or counterclaim and free and clear of any deductions, including deductions for Taxes, unless the Borrowers are required by law to make such deductions. If (a) any Lender shall be subject to any Tax with respect to any payment of the Credit Obligations or its obligations hereunder or (b) any Borrower shall be required to withhold or deduct any Tax on any payment on the Credit Obligations, then, the Lender shall, promptly give notice of its claim for compensation under this Section 3.6 to the Company. Promptly after the receipt by the Company of any such notice, the Company and the Lender shall attempt to negotiate in good faith an adjustment to the amount payable by the Borrowers to the Lender under this Section 3.6, which amount shall be sufficient to compensate the Lender for the amount of the Tax so imposed or the full amount of all payments which would have been received on the Credit Obligations in the absence of such Tax. If the Company and the Lender are unable to agree to such adjustment within thirty days of the date upon which the Company receives such notice, then the Borrowers will, on demand by the Lender, pay to the Lender such additional amount as shall be sufficient, in the Lender's reasonable determination, to enable such Lender to receive the amount of Tax so imposed on the Lender's obligations hereunder or the full amount of all payments which it would have received on the Credit Obligations (including amounts required to be paid under Sections 3.5, 3.7, 3.8 and this Section 3.6) in the absence of such Tax, as the case may be, together with interest at the Overdue Reimbursement Rate on such amount from the 30th day after receipt of such certificate until payment in full thereof. Whenever Taxes must be withheld by any Borrower with respect to any payments of the Credit Obligations, the Borrowers shall promptly furnish to the Agent for the account of the applicable Lender official receipts (to the extent that the relevant governmental authority delivers such receipts) evidencing payment of any such Taxes so withheld. If the Borrowers fail to pay any such Taxes when due or fail to remit to the Agent for the account of the applicable Lender the required receipts evidencing payment of any such Taxes so withheld or deducted, the Borrowers shall indemnify the affected Lender for any incremental Taxes and interest or penalties that may become payable by such Lender as a result of any such failure. The determination by such Lender of the amount of such Tax and the basis therefor shall, in the absence of manifest error, be conclusive.

3.7. CAPITAL ADEQUACY. If any Lender shall determine that compliance by such Lender with any Legal Requirement regarding capital adequacy of banks or bank holding companies has or would have the effect of reducing the rate of return on the capital of such Lender and its Affiliates as a consequence of such Lender's commitment to make the extensions of credit contemplated hereby, or such Lender's maintenance of the extensions of credit contemplated hereby, to a level below that which such Lender could have achieved but for such compliance (taking into consideration the policies of such Lender and its Affiliates with respect to capital adequacy immediately before such compliance and assuming that the capital of such Lender and its Affiliates was fully utilized prior to such compliance) by an amount deemed by such Lender to be material, then, the Lender shall, promptly after it has made such determination, give notice thereof to the Company. Promptly after the receipt by the Company of any such notice, the Company and the Lender shall attempt to negotiate in good faith an adjustment to the amount payable by the Borrowers to the Lender under this Section 3.6, which amount shall be sufficient to compensate the Lender for such reduced return. If the Company and the Lender are unable to agree to such adjustment within thirty days of the date upon which the Company receives such notice, then the Borrowers will, on demand by the Lender, pay to the Lender such additional amount as shall be sufficient, in the Lender's reasonable determination, to compensate the Lender for such reduced return, together with interest at the Overdue Reimbursement Rate from the 30th day until payment in full thereof. The determination by such Lender of the amount to be paid to it and the basis for computation thereof shall, in the absence of manifest error, be conclusive. In determining such amount, such Lender may use any reasonable averaging, allocation and attribution methods.

3.8. REGULATORY CHANGES. If any Lender shall determine that (a) any change in any Legal Requirement (including any new Legal Requirement) after the date hereof shall directly or indirectly (i) reduce the amount of any sum received or receivable by such Lender with respect to the Revolving Loan or the Letters of Credit or the return to be earned by such Lender on the Revolving Loan or the Letters of Credit, (ii) impose a cost on such Lender or any Affiliate of such Lender that is attributable to the making or maintaining of, or such Lender's commitment to make, its portion of the Revolving Loan or the Letters of Credit, or (iii) require such Lender or any Affiliate of such Lender to make any payment on, or calculated by reference to, the gross amount of any amount received by such Lender under any Credit Document, and (b) such reduction, increased cost or payment shall not be fully compensated for by an adjustment in the Applicable Rate or the Letter of Credit fees, then, the Lender shall, promptly after it has made such determination, give notice thereof to the Company. Promptly after the receipt by the Company of any such notice, the Company and the Lender shall attempt to negotiate in good faith an adjustment to the amount payable by the Borrowers to the Lender under this Section 3.8, which amount, together with any adjustment in the Applicable Rate, shall be sufficient to fully compensate the Lender for such reduction, increased cost or payment taking into account any compensation for such reduction, increased cost or payment received by the Lender pursuant to the provisions of Section 3.5, 3.6 or 3.7 hereof. If the Company and the Lender are unable to agree to such adjustment within thirty days of the date upon which the Company receives such notice, then the Borrowers will, on demand by the Lender, pay to the Lender such additional amount, together with any adjustment in the Applicable Rate, as shall be sufficient to fully compensate the Lender for such reduction, increased cost or payment, together with interest on such amount from the 30th day after receipt of such certificate until payment in full thereof at the Overdue Reimbursement Rate. The determination by such Lender of the amount to be paid to it and the basis for computation thereof hereunder shall, in the absence of manifest error, be conclusive. In determining such amount, such Lender may use any reasonable averaging and attribution methods.

3.9. COMPUTATIONS OF INTEREST AND FEES. For purposes of this Agreement, interest and commitment fees, Letter of Credit fees (and any other amount expressed as interest or such fees) shall be computed on the basis of a 360-day year for actual days elapsed. If any payment required by this Agreement becomes due on any day that is not a Banking Day, such payment shall, except as otherwise provided in the Eurodollar Interest Period, be made on the next succeeding Banking Day. If the due date for any payment of principal is extended as a result of the immediately preceding sentence, interest shall be payable for the time during which payment is extended at the Applicable Rate.

4. PAYMENT.

4.1. PAYMENT OF REVOLVING LOAN.

4.1.1. PAYMENT AT MATURITY. On the stated or any accelerated maturity of the Revolving Note, each Borrower will pay to the Agent for the account of the Lenders as evidenced by its Loan Account the amount of the Revolving Loan, together with all accrued and unpaid interest thereon.

4.1.2. MANDATORY PREPAYMENT. If at any time the Revolving Loan exceeds the Maximum Amount of Revolving Credit, whether as a result of voluntary reductions pursuant to Section 2.1 or otherwise, the Borrowers will promptly pay the amount of such excess to the Agent for the account of the Lenders.

4.1.3. VOLUNTARY PREPAYMENTS OF REVOLVING LOAN. In addition to the prepayment required by Section 4.1.2, the Borrowers may from time to time prepay all or any portion of the Revolving Loan, without penalty or premium (except as provided in Section 3.2.4 with respect to the early termination of Eurodollar Pricing Options). Such Borrower shall give the Agent at least one Banking Day prior notice of its intention to prepay, specifying the date of payment, the total amount of the Revolving Loan to be paid on such date and the amount of interest to by paid with such prepayment.

4.1.4. REBORROWING; APPLICATION OF PAYMENTS. The amounts of the Revolving Loan prepaid pursuant to Section 4.1.3 may be reborrowed from time to time prior to the Final Maturity Date in accordance with Section 2.1. The amount of the Revolving Loan prepaid pursuant to Section 4.1.1 may not be reborrowed. All payments of principal hereunder shall be made to the Agent for the account of the Lenders and shall be applied first to the portion of the Revolving Loan not then subject to Eurodollar Pricing Option then the balance of any such payment shall be applied to a portion of the Revolving Loan then subject to the Eurodollar Pricing Options, in the chronological order of the respective maturities, thereof, together with any payment required by Section 3.2.4.

4.2. PAYMENT OF LETTERS OF CREDIT.

4.2.1. PAYMENTS AT MATURITY AND UPON ACCELERATION OF MATURITY. If on the Final Maturity Date or any accelerated maturity of the Credit Obligations the Lenders shall be obligated in respect of a Letter of Credit or a draft accepted under a Letter of Credit, the Borrower will either:

(a) prepay such obligation by depositing cash with the Agent, or

(b) deliver to the Agent a standby letter of credit (designating the Letter of Credit Issuer as beneficiary and issued by a bank and on terms reasonably acceptable to the Letter of Credit Issuer),

in each case in an amount equal to the portion of the then Letter of Credit Exposure issued for the account of the Borrower. Any such cash so deposited and the cash proceeds of any draw under any standby Letter of Credit so furnished, including any interest thereon, shall be returned by the Agent to the Borrower only when, and to the extent that, the amount of such cash held by the Agent exceeds the Letter of Credit Exposure at such time and no Default then exists.

4.2.2. MANDATORY PREPAYMENT. If at any time the Letter of Credit Exposure exceeds the limits set forth in Section 2.2, the Borrower shall within one Banking Day pay the amount of such excess to the Agent for the account of the Lenders.

4.3. PAYMENT OF MORTGAGE LOAN.

4.3.1. PAYMENT AT MATURITY. On the stated or any accelerated maturity of the Mortgage Note, the Company will pay to the Agent for credit to the Mortgage Note an amount equal to the Indebtedness evidenced by the Mortgage Note, together with all accrued and unpaid interest thereon and all other Credit Obligations then outstanding in respect of the Mortgage Loan.

4.3.2. MANDATORY PREPAYMENTS OF THE MORTGAGE LOAN. On each Payment Date, commencing with the first such date after the Initial Closing Date, the Company will pay to the

Agent for credit to the Mortgage Note an amount equal to the lesser of (i) 1.67% of the original principal amount of the Mortgage Loan or (ii) the remaining balance of the Mortgage Loan.

4.3.3. VOLUNTARY PREPAYMENTS OF THE MORTGAGE LOAN. In addition to the prepayments required by Section 4.3.2, the Company may from time to time prepay all or any portion of the Mortgage Loan, without penalty or premium, together with all accrued and unpaid interest on the portion of the Mortgage Loan then being prepaid. With respect to such prepayment, the Company shall give the Agent at least one Banking Day's prior notice of its intention to prepay, specifying the date of payment, the total principal amount of the Mortgage Loan to be paid on such date and the amount of interest to be paid with such prepayment. No voluntary prepayment of the Mortgage Loan shall relieve the Company of its obligations to make the mandatory prepayments required by Section 4.3.2 and any such voluntary prepayment shall be applied to the payments required by Section 4.3.2 in the inverse order of maturity.

4.3.4. NO REBORROWING. The amounts of the Mortgage Loan paid pursuant to Section 4.2 may not be reborrowed.

5. CONDITIONS TO EXTENDING CREDIT.

5.1. CONDITIONS ON INITIAL CLOSING DATE ON THE REVOLVING LOAN. The obligations of the Lenders to make the initial Revolving Loan pursuant to Section 2.1 shall be subject to the satisfaction, on or before the Initial Closing Date, of the conditions set forth in this Section 5.1 as well as the further conditions in Section 5.4. If the conditions set forth in this Section 5.1 and 5.4 are not met on or prior to the Initial Closing Date, the Lenders shall have no obligation to make any extensions of credit under the Revolving Loan.

5.1.1. REVOLVING NOTES. From and after the Initial Closing Date, the existing Revolving Loan shall be deemed to be outstanding under this Agreement and shall be evidenced by the existing Revolving Notes attached hereto as Exhibit 2.1.4.

5.1.2. PAYMENT OF FEE. The Borrowers shall have paid a facility fee of $375,000 to the Agent for the accounts of the Lenders in accordance with their respective Percentage Interests in the Revolving Loan.

5.1.3. SECURITY AGREEMENT. The Borrowers shall have duly authorized, executed and delivered to the Agent, for the benefit of the Lenders, a Security Agreement in substantially the form of Exhibit 5.1.3 (the "SECURITY AGREEMENT").

5.2. THE MORTGAGE LOAN. From and after the Initial Closing Date the existing Mortgage Loan shall be deemed to be outstanding under this Agreement, and shall be evidenced by the existing Mortgage Note, attached hereto as Exhibit 2.3.2.

5.3. CONDITIONS TO MAKING EACH PERMITTED ACQUISITION ADVANCE. The Lenders' several obligations to make any loan contemplated by Section 2.1, the proceeds of which will be applied to a Permitted Acquisition, shall be subject to the satisfaction, on or before the date of consummation of the proposed Permitted Acquisition, of the following conditions, as well as the further conditions set forth in Section 5.4:

5.3.1. PERMITTED ACQUISITION. Other than as consented to by the Agent in writing,

(a) If the Purchase Price for a Permitted Acquisition is less than $5,000,000, the Company shall furnish to the Required Lenders computations demonstrating compliance with Section 6.9.4, certified by a Financial Officer of the Company.

(b) If the Purchase Price for a Permitted Acquisition is equal to or exceeds $5,000,000:

(i) The provisions of the Acquisition Agreement relating to such Permitted Acquisition shall not have been amended, modified, waived or terminated in any material respect from the form of such Agreement delivered to the Agent pursuant to Section 6.9.4 (unless such amendment or modification, in form reasonably acceptable to the Agent, shall have been provided to the Agent prior to such Permitted Acquisition) and all material executed documents, including all schedules and exhibits thereto, shall have been delivered to the Agent within 30 days of the closing of such Permitted Acquisition.

(ii) All of the representations and warranties of the Sellers set forth in such Acquisition Agreement shall be complete and correct in all material respects on and as of the Closing Date with the same force and effect as though made on and as of such date.

(iii) All of the other conditions to the obligations of the Borrowers set forth in such Acquisition Agreement shall have been satisfied or waived by each of the other parties to such Acquisition Agreement.

(iv) Any material consent, authorization, order or approval of any Person required in connection with the transactions contemplated by such Acquisition Agreement shall have been obtained and shall be in full force and effect.

(v) All of the items required to be delivered under such Acquisition Agreement shall have been so delivered.

(vi) The Company shall furnish to the Required Lenders computations demonstrating compliance with Section 6.9.4, Certified by a Financial Officer of the Company.

(vii) Contemporaneously with or immediately after the making by the Lenders of the extension of credit hereunder, the Lenders shall have received a certificate of a Financial Officer of the Borrower to the effect that (A) the initial closing has occurred under such Acquisition Agreement and (B) each of the conditions set forth in this Section 5.3.1 has been satisfied.

5.3.2. NOTES AND CREDIT DOCUMENTS; MERGER. Contemporaneously with or immediately after such Permitted Acquisition, such Acquired Party shall either (a) execute and deliver to the Agent a Revolving Note for each Lender and a Joinder Agreement to the Credit Agreement and each other Lender Agreement in the form of Exhibit 5.3.2 or (b) be merged with and into an existing Borrower, in which case the Company shall have received a certificate of a Financial Officer of the Company to the effect that the merger of such Acquired Party with and into an existing Borrower has been consummated.

5.4. CONDITIONS TO EACH EXTENSION OF CREDIT. The obligations of the Lenders to make any extension of credit pursuant to Section 2 shall be subject to the satisfaction, on or before the Closing Date for such extension of credit, of the following conditions:

5.4.1. OFFICER'S CERTIFICATE. The representations and warranties contained in Section 7 shall be true and correct on and as of such Closing Date with the same force and effect as though made on and as of such date (except as to any representation or warranty which refers to a specific earlier date); that the Borrowers shall be in compliance with the covenants contained in Section 6 and no Default shall exist on such Closing Date prior to or immediately after giving effect to the requested extension of credit; no Material Adverse Change shall have occurred since December 31, 1999; and the Borrower that is requesting an extension of credit shall have furnished to the Agent in connection with the requested extension of credit a certificate to these effects, in substantially the form of Exhibit 5.4.1, signed by a Financial Officer.

5.4.2. LEGALITY, ETC. The making of the requested extension of credit shall not (a) subject any Lender to any penalty or special tax (other than a Tax for which the Borrowers are required to reimburse the Lenders under Section 3.5), (b) be prohibited by any Legal Requirement or (c) violate any credit restraint program of the executive branch of the government of the United States of America, the Board of Governors of the Federal Reserve System or any other governmental or administrative agency so long as any Lender reasonably believes that compliance is in the best interests of the Lender.

5.4.3. PROPER PROCEEDINGS. This Agreement, each other Credit Document and the transactions contemplated hereby and thereby shall have been authorized by all necessary corporate or other proceedings of the Borrowers. All necessary consents, approvals and authorizations of any governmental or administrative agency or any other Person of any of the transactions contemplated hereby or by any other Credit Document shall have been obtained and shall be in full force and effect.

5.4.4. GENERAL. All legal and corporate proceedings in connection with the transactions contemplated by this Agreement and each other Credit Document shall be satisfactory in form and substance to the Agent and the Agent shall have received copies of all documents, including certified copies of the Charter and Bylaws of the Borrowers and the other Obligors, records of corporate proceedings, certificates as to signatures and incumbency of officers and opinions of counsel, which the Agent may have reasonably requested in connection therewith, such documents where appropriate to be certified by proper corporate or governmental authorities.

6. GENERAL COVENANTS. Each of the Borrowers covenants that, until all of the Credit Obligations shall have been paid in full and until the Lenders' commitments to extend credit under this Agreement and any other Credit Document shall have been irrevocably terminated, it will comply, and will cause its Subsidiaries to comply with the following provisions:

6.1. TAXES AND OTHER CHARGES; ACCOUNTS PAYABLE.

6.1.1. TAXES AND OTHER CHARGES. Each of the Borrowers shall duly pay and discharge, or cause to be paid and discharged, before the same become in arrears, all taxes, assessments and other governmental charges imposed upon such Person and its properties, sales or activities, or upon the income or profits therefrom, as well as all claims for labor, materials or supplies which if unpaid

might by law become a Lien upon any of its property; provided, however, that any such tax, assessment, charge or claim need not be paid if the validity or amount thereof shall at the time be contested in good faith by appropriate proceedings and if such Person shall, in accordance with GAAP, have set aside on its books adequate reserves with respect thereto; and provided, further, that each of the Borrowers shall pay or bond, or cause to be paid or bonded, all such taxes, assessments, charges or other governmental claims immediately upon the commencement of proceedings to foreclose any Lien which may have attached as security therefor (except to the extent such proceedings have been dismissed or stayed).

6.1.2. ACCOUNTS PAYABLE. Each of the Borrowers shall promptly pay when due, or in conformity with customary trade terms, all other Indebtedness, including accounts payable, incident to the operations of such Person not referred to in Section 6.1.1; PROVIDED, HOWEVER, that any such Indebtedness need not be paid if the validity or amount thereof shall at the time be contested in good faith and if such Person shall, in accordance with GAAP, have set aside on its books adequate reserves with respect thereto.

6.2. CONDUCT OF BUSINESS, ETC.

6.2.1. TYPES OF BUSINESS. The Borrowers shall engage only in the business of pediatric, neonatal and perinatal medical services and related services.

6.2.2. MAINTENANCE OF PROPERTIES. Each of the Borrowers:

(a) shall keep its properties in such repair, working order and condition, and shall from time to time make such repairs, replacements, additions and improvements thereto as are necessary for the efficient operation of its businesses and shall comply at all times in all material respects with all franchises, licenses, leases and other material agreements to which it is party so as to prevent any loss or forfeiture thereof or thereunder, except where (i) compliance is at the time being contested in good faith by appropriate proceedings or (ii) failure to comply with the provisions being contested has not resulted, or does not create a material risk of resulting, in the aggregate in any Material Adverse Change; PROVIDED, HOWEVER, that this Section 6.2.2(a) shall not apply to assets or entities disposed of in transactions permitted by Section 6.12; and

(b) shall do all things necessary to preserve, renew and keep in full force and effect and in good standing its legal existence and authority necessary to continue its business; PROVIDED, HOWEVER, that this Section 6.2.2(b) shall not prevent the merger, consolidation or liquidation of Subsidiaries permitted by Section 6.12.

6.2.3. STATUTORY COMPLIANCE. Each of the Borrowers shall comply in all material respects with all Legal Requirements, except where (a) compliance therewith shall at the time be contested in good faith by appropriate proceedings or (b) failure so to comply with the provisions being contested would not in the aggregate result in any Material Adverse Change.

6.2.4. NO SUBSIDIARIES. No Borrower shall form or suffer to exist any Subsidiary, except for such Subsidiaries as shall have executed and delivered to the Agent either (a) this Agreement and each other Credit Document as of the Initial Closing Date or (b) a Joinder Agreement in the form of Exhibit 5.3.2 pursuant to which such Subsidiary shall have become a Borrower and a Guarantor hereunder.

6.2.5. COMPLIANCE WITH MATERIAL AGREEMENTS. Each of the Borrowers shall comply in all material respects with the Material Agreements (to the extent not in violation of the other provisions of this Agreement or any other Credit Document). Without the prior written consent of the Required Lenders, which consent shall not be unreasonably withheld, no Material Agreement shall be amended, modified, waived or terminated in any manner that would have in any material respect an adverse effect on the interests of the Lenders.

6.3. INSURANCE.

6.3.1. BUSINESS INTERRUPTION INSURANCE. The Borrowers shall maintain with financially sound and reputable insurers, reasonably satisfactory to the Agent, insurance related to interruption of business, either for loss of revenues or for extra expense, in the manner customary for businesses of similar size engaged in similar activities in similar localities.

6.3.2. PROPERTY INSURANCE. The Borrowers shall keep their assets which are of an insurable character insured by financially sound and reputable insurers, reasonably satisfactory to the Agent, against theft and fraud and against loss or damage by fire, explosion and hazards and such other extended coverage risks insured against by extended coverage to the extent, in amounts and with deductibles at least as favorable as those generally maintained by businesses of similar size engaged in similar activities in similar localities and all such policies which relate to the premises covered by the Mortgage shall name the Agent and its successors and assigns as first mortgagee.

6.3.3. LIABILITY INSURANCE. The Borrowers shall maintain with financially sound and reputable insurers, reasonably satisfactory to the Agent, insurance against liability for hazards, risks and liability to persons (for both death and bodily injury) and property, including product liability insurance and medical malpractice insurance, to the extent, in amounts and with deductibles at least as favorable as those generally maintained by businesses of similar size engaged in similar activities in similar localities; PROVIDED, HOWEVER, that it may effect workers' compensation insurance or similar coverage with respect to operations in any particular state or other jurisdiction through an insurance fund operated by such state or jurisdiction or by meeting the self-insurance requirements of such state or jurisdiction.

Each of the required policies described in this Section 6.3 shall provide for at least 30 days prior written notice to the Agent of the cancellation, expiration or substantial modification thereof.

6.4. FINANCIAL STATEMENTS AND REPORTS. The Company shall maintain a system of accounting in which correct entries shall be made of all transactions in relation to its business and affairs in accordance with generally accepted accounting practice. The fiscal year of the Borrowers shall end on December 31 in each year and the fiscal quarters of the Borrowers shall end on March 31, June 30, September 30 and December 31 in each year.

6.4.1. ANNUAL REPORTS. The Company shall furnish to the Lenders as soon as available, and in any event within 120 days after the end of each fiscal year, the Consolidated balance sheet of the Company and its Subsidiaries as at the end of such fiscal year, the Consolidated statement of income and Consolidated statement of changes in shareholders' equity and of cash flows of the Company and its Subsidiaries for such fiscal year (all in reasonable detail) and together, in the case of Consolidated financial statements, with comparative figures for the immediately preceding fiscal year, all accompanied by:

(a) Unqualified reports of PricewaterhouseCoopers (or, if they cease to act as auditors of the Company, independent certified public accountants of recognized national standing reasonably satisfactory to the Required Lenders), containing no material uncertainty, to the effect that they have audited the foregoing Consolidated financial statements in accordance with generally accepted auditing standards and that such Consolidated financial statements present fairly, in all material respects, the financial position of the Company and its Subsidiaries covered thereby at the dates thereof and the results of their operations for the periods covered thereby in conformity with GAAP.

(b) The statement of such accountants that they have caused this Agreement to be reviewed and that in the course of their audit of the Company and its Subsidiaries no facts have come to their attention that cause them to believe that any Default exists and in particular that they have no knowledge of any Default under Sections 6.5 through 6.16 or, if such is not the case, specifying such Default and the nature thereof. This statement is furnished by such accountants with the understanding that the examination of such accountants cannot be relied upon to give such accountants knowledge of any such Default except as it relates to accounting or auditing matters within the scope of their audit.

(c) A certificate of the Company signed by a Financial Officer, substantially in the form of Exhibit 6.4.1, to the effect that such officer has caused this Agreement to be reviewed and has no knowledge of any Default, or if such officer has such knowledge, specifying such Default and the nature thereof, and what action such Borrower has taken, is taking or proposes to take with respect thereto, and containing a schedule of computations by the Company demonstrating, as of the end of such fiscal year, compliance with the Computation Covenants.

(d) Supplements to Exhibits 7.1 and 7.3 showing any changes in the information set forth in such Exhibits not previously furnished to the Lenders in writing, as well as any changes in the Charter, Bylaws or incumbency of officers of any of the Borrowers or their respective Subsidiaries from those previously certified to the Agent.

6.4.2. QUARTERLY REPORTS. The Company shall furnish to the Lenders as soon as available and, in any event, within 60 days after the end of each of the first three fiscal quarters of the Company, the internally prepared Consolidated balance sheets of the Company and its Subsidiaries as of the end of such fiscal quarter, the Consolidated statements of income and Consolidated statements of cash flows of the Borrowers and their respective Subsidiaries for such fiscal quarter and for the portion of the fiscal year then ended (all in reasonable detail) and together, in the case of Consolidated statements, with comparative figures for the same period in the preceding fiscal year, all accompanied by:

(a) A certificate of the Company signed by a Financial Officer, substantially in the form of Exhibit 6.4.2.

(b) Supplements to Exhibits 7.1 and 7.3 showing any changes in the information set forth in such Exhibits not previously furnished to the Lenders in writing, as well as any changes in the Charter, Bylaws or incumbency of officers of any of the Borrowers or their respective Subsidiaries from those previously certified to the Agent.

6.4.3. OTHER REPORTS. The Borrowers shall promptly furnish to the Lenders:

(a) As soon as prepared and in any event within 30 days after the beginning of each fiscal year, a business plan, an annual budget and operating projections for such fiscal year of the Company, certified by a Financial Officer of the Company.

(b) As soon as available, any material updates of such plan, budget and projections.

(c) Any management letters furnished to the Company or any of its Related Entities by the Company's auditors.

(d) As soon as practicable but, in any event, within 20 Banking Days after the filing thereof, such registration statements, proxy statements and reports, including, to the extent applicable, Forms S-1, S-2, S-3, S-4, 10-K, 10-Q and 8-K, as may be filed by the Company or any of its Related Entities with the Securities and Exchange Commission.

(e) Any material information relating to a material audit or investigation of any Borrower in its capacity as a Medicaid provider by a governmental or administrative agency.

6.4.4. NOTICE OF LITIGATION, DEFAULTS, ETC. Each of the Borrowers shall promptly furnish to the Lenders notice of any litigation or any administrative or arbitration proceeding (a) which creates a material risk of resulting, after giving effect to any applicable insurance, in the payment by any Borrower or any of its Subsidiaries of more than $750,000 or (b) which results, or creates a material risk of resulting, in a Material Adverse Change. Within five Banking Days after acquiring knowledge thereof, such Borrower shall notify the Lenders of the existence of any Default or Material Adverse Change, specifying the nature thereof and what action the Company, such Borrower or such Subsidiary has taken, is taking or proposes to take with respect thereto.

6.4.5. ERISA REPORTS. Each of the Borrowers shall furnish to the Lenders promptly after the same shall become available the following items with respect to any Plan:

(a) any request for a waiver of the funding standards or an extension of the amortization period required by sections 303 and 304 of ERISA or section 412 of the Code, promptly after any Control Group Person submits such request to the Department of Labor or the Internal Revenue Service,

(b) any reportable event (as defined in section 4043 of ERISA), unless the notice requirement with respect thereto has been waived by regulation, promptly after any Control Group Person learns of such reportable event; and furnish the Bank with a copy of the notice of such reportable event required to be filed with the PBGC, promptly after such notice is required to be given,

(c) any notice received by any Control Group Person that the PBGC has instituted or intends to institute proceedings to terminate any Plan, or that any Multiemployer Plan is insolvent or in reorganization status under Title IV of ERISA, promptly after receipt of such notice,

(d) notice of the possibility of the termination of any Plan by its administrator pursuant to section 4041 of ERISA, as soon as any Control Group Person learns of such possibility and in any event prior to such termination; and furnish the Bank with a copy of any notice to the PBGC that a Plan is to be terminated, promptly after any Control Group Person files a copy of such notice, and

(e) notice of the intention of any Control Group Person to withdraw, in whole or in part, from any Multiemployer Plan, prior to such withdrawal, and, upon any Bank's request from time to time, of the extent of the liability, if any, of such Person as a result of such withdrawal, to be the best of such Person's knowledge at such time.

6.4.6. OTHER INFORMATION. From time to time upon request of any authorized officer of any Lender, each of the Borrowers shall furnish to the Lenders such information regarding the business, assets, financial condition, income or prospects of the Borrowers as such officer may reasonably request, including copies of all tax returns, licenses, agreements, leases and instruments to which any of the Borrowers is party. The Lenders' authorized officers and representatives shall have the right during normal business hours upon reasonable notice and at reasonable intervals to examine the books and records of the Borrowers, to make copies and notes therefrom for the purpose of ascertaining compliance with or obtaining enforcement of this Agreement or any other Credit Document.

6.5. CERTAIN FINANCIAL TESTS.

6.5.1. CONSOLIDATED FINANCING DEBT TO CONSOLIDATED EBITDA. Consolidated Financing Debt shall not on any date exceed 250% of Consolidated EBITDA for the most recently completed period of four consecutive fiscal quarters.

6.5.2. CONSOLIDATED TOTAL DEBT SERVICE. On the last day of each fiscal quarter of the Company and its Related Entities, Operating Cash Flow shall be at least 200% of Consolidated Fixed Charges for the period of four consecutive fiscal quarters then ended.

6.5.3. CONSOLIDATED NET WORTH. On the last day of each fiscal quarter of the Company and its Related Entities, the Consolidated Net Worth shall equal at least the sum of (a) $197,425,000 PLUS (b) the aggregate net proceeds of any offerings of equity interests in the Company or any of its Related Entities occurring on or after the Initial Closing Date, PLUS (c) 50% of Consolidated Net Income (if positive) for each fiscal quarter of the Company thereafter.

6.5.4. CONSOLIDATED EBITDA TO CONSOLIDATED NET REVENUE. On the last day of each fiscal quarter of the Company and its Related Entities, Consolidated EBITDA shall be at least 15% of Consolidated Net Revenue for the fiscal quarter then ended.

6.5.5. CONSOLIDATED TANGIBLE NET WORTH. On the last day of each fiscal quarter of the Company, and its Related Entities, beginning on and after the fiscal quarter ending March 31, 2001, Consolidated Tangible Net Worth shall exceed the number set forth in the table below opposite such day:

Fiscal Quarter Ending	Amount
March 31, 2001	($4,000,000)
June 30, 2001	($2,000,000)
September 30, 2001 and thereafter	$1

6.6. INDEBTEDNESS. None of the Borrowers shall create, incur, assume or otherwise become or remain liable with respect to any Indebtedness except the following:

6.6.1. Indebtedness in respect of the Credit Obligations.

6.6.2. Guarantees permitted by Section 6.7.

6.6.3. Current liabilities, other than Financing Debt, incurred in the ordinary course of business, PROVIDED, HOWEVER that all such Indebtedness, including without limitation trade payables, shall be paid in accordance with Section 6.1.

6.6.4. To the extent that payment thereof shall not at the time be required by Section 6.1, Indebtedness in respect of taxes, assessments, governmental charges and claims for labor, materials and supplies.

6.6.5. Indebtedness secured by Liens of carriers, warehouses, mechanics and landlords permitted by Sections 6.8.5 and 6.8.6.

6.6.6. Indebtedness in respect of judgments or awards (a) which have been in force for less than the applicable appeal period or (b) in respect of which the Borrower shall at the time in good faith be prosecuting an appeal or proceedings for review and, in the case of each of clauses (a) and (b), such Borrower shall have taken appropriate reserves therefor in accordance with GAAP and execution of such judgment or award shall not be levied.

6.6.7. Indebtedness with respect to deferred compensation in the ordinary course of business and Indebtedness with respect to employee benefit programs (including liabilities in respect of deferred compensation, pension or severance benefits, early termination benefits, disability benefits, vacation benefits and tuition benefits) incurred in the ordinary course of business so long as the Borrower is in compliance with Section 6.13.

6.6.8. Indebtedness in respect of customer advances and deposits, deferred income, deferred taxes and other deferred credits arising in the ordinary course of business.

6.6.9. Indebtedness relating to deferred gains and deferred taxes arising in connection with sale of assets permitted under Section 6.12.

6.6.10. Indebtedness in respect of inter-company loans and advances among the Borrowers which are not prohibited by Section 6.9.

6.6.11. Approved Subordinated Debt.

6.6.12. Contingent obligations approved by the Required Lenders under Agreements relating to Permitted Acquisitions.

6.6.13. Indebtedness to the extent set forth on Exhibit 6.6.

6.7. GUARANTEES. None of the Borrowers shall become or remain liable with respect to any Guarantee, including reimbursement obligations, whether contingent or matured, under letters of credit or other financial guarantees by third parties, except the following:

6.7.1. Guarantees of the Credit Obligations.

6.7.2. Guarantees outstanding on the Initial Closing Date and described on Exhibit 6.7.

6.8. LIENS. None of the Borrowers shall create, incur or enter into, or suffer to be created or incurred or to exist, any Lien, except the following:

6.8.1. Liens on real property that secure the Mortgage and Liens that secure the Credit Obligations.

6.8.2. Liens to secure taxes, assessments and other governmental charges, to the extent that payment thereof shall not at the time be required by Section 6.1.

6.8.3. Deposits or pledges made (a) in connection with, or to secure payment of, workers' compensation, unemployment insurance, old age pensions or other social security, (b) in connection with casualty insurance maintained in accordance with Section 6.3, (c) to secure the performance of bids, tenders, contracts (other than contracts relating to Financing Debt) or leases, (d) to secure statutory obligations or surety or appeal bonds, (e) to secure indemnity, performance or other similar bonds in the ordinary course of business or (f) in connection with contested amounts to the extent that payment thereof shall not at that time be required by Section 6.1.

6.8.4. Liens in respect of judgments or awards, to the extent that such judgments or awards are permitted by Section 6.6.6.

6.8.5. Liens of carriers, warehouses, mechanics and similar Liens, in each case (a) in existence less than 120 days from the date of creation thereof or (b) being contested in good faith by the Borrower in appropriate proceedings (so long as such Borrower shall, in accordance with GAAP, have set aside on its books adequate reserves with respect thereto).

6.8.6. Encumbrances in the nature of (a) zoning restrictions, (b) easements, (c) restrictions of record on the use of real property, (d) landlords' and lessors' Liens on rented premises and (e) restrictions on transfers or assignment of leases, which in each case do not materially detract from the value of the encumbered property or impair the use thereof in the business of any Borrower.

6.8.7. Other Liens and Capitalized Lease Obligations on the property secured by such Liens or the subject of such Capitalized Lease as set forth on Exhibit 6.8 and any renewals thereof, but not any increase in the amount thereof.

6.9. INVESTMENTS AND PERMITTED ACQUISITIONS. None of the Obligors shall have outstanding, acquire, commit itself to acquire or hold any Investment (including any Investment consisting of the Permitted Acquisition of any business) except for the following:

6.9.1. Inter-company loans and advances from any Borrower to any other Borrower but in each case only to the extent reasonably necessary for Consolidated tax planning and working capital management.

6.9.2. Investments in Cash Equivalents.

6.9.3. Guarantees permitted by Section 6.7.

6.9.4. Investments constituting the acquisition of all of the capital stock, equity, partnership or other beneficial interests in, or substantially all the assets of, any Person that derives substantially all of its revenues from a business that the Borrowers would be permitted to engage in under Section 6.2.1; PROVIDED, HOWEVER, that:

(a) the acquisition shall have been approved by a majority of the board of directors or similar governing entity of the Person being acquired;

(b) the Purchase Price for such acquisition does not exceed $10,000,000 and the Purchase Price for such acquisition does not exceed five times the Pro Forma EBITDA of such Person (which calculation shall be reasonably satisfactory to the Agent);

(c) The Company has provided the Agent at least 5 Banking Days prior written notice of such acquisition and copies of all letters of intent and agreements relating thereto;

(d) The Company has provided the Agent, at least 5 Banking Days prior to such acquisition written computations, historical financial statements and projections satisfactory to the Agent demonstrating pro forma compliance with Section 6.5 and 6.9.4 and the absence of any Default, both immediately before and after giving effect to such acquisition; and

(e) The Company and the other Guarantors will pledge the stock (up to 66% of the voting stock of a Foreign Subsidiary) of the acquired or newly-created entity.

6.9.5. Loans to employees not to exceed a principal amount of $1,000,000 in the aggregate at any one time outstanding.

6.9.6. Investments representing Indebtedness of any Person owing as a result of the sale by any Borrower in the ordinary course of business to such Person of products, services or tangible property no longer required in such Borrower's business.

6.9.7. Investments described on Exhibit 6.9.7.

6.10. DISTRIBUTIONS. None of the Borrowers shall make any Distribution except the following (i) distributions in respect of the redemption of capital stock of the Company from employees of any Borrower; PROVIDED, HOWEVER, that the amount of all such Distributions shall not exceed $500,000 in the aggregate in any fiscal year and (ii) Subsidiaries of the Company may make Distributions to the Company.

6.11. CAPITAL EXPENDITURES. The Borrowers will not make aggregate Capital Expenditures exceeding $5,000,000 in any fiscal year.

6.12. ASSET DISPOSITIONS AND MERGERS. None of the Obligors shall merge or enter into a consolidation or sell, lease, sell and lease back, sublease or otherwise dispose of any of its assets, except the following:

6.12.1. So long as immediately prior to and after giving effect thereto there shall exist no Default, the Obligors may sell or otherwise dispose of (a) inventory in the ordinary course of business, (b) tangible assets to be replaced in the ordinary course of business within 12 months by other assets of equal or greater value, or (c) tangible assets no longer used or useful in the business of such Obligor; PROVIDED, HOWEVER, that the aggregate fair market value (or book value, if greater)

of the assets sold or disposed of pursuant to this clause (c) shall not exceed $100,000 in any fiscal year.

6.12.2. Any Borrower may merge or be liquidated into any other Borrower.

6.12.3. The Company may sell the premises covered by the Mortgage so long as the Company has obtained the prior written consent of the holder of the Mortgage Loan and provided that the proceeds of such sale are applied as a voluntary prepayment of the Mortgage Loan in accordance with Section 4.3.3 and any excess proceeds are applied as a voluntary prepayment of the Revolving Loan in accordance with Section 4.1.3.

6.13. ERISA, ETC. Each of the Obligors shall comply, and shall cause all Control Group Persons to comply, in all material respects, with the provisions of ERISA and the Code applicable to each Plan. Each of the Obligors shall meet, and shall cause all Control Group Persons to meet, all minimum funding requirements applicable to them with respect to any Plan pursuant to section 302 of ERISA or section 412 of the Code, without giving effect to any waivers of such requirements or extensions of the related amortization periods which may be granted. At no time shall the Accumulated Benefit Obligations under any Plan that is not a Multiemployer Plan exceed the fair market value of the assets of such Plan allocable to such benefits by more than $250,000. Within 45 days after the end of each fiscal year, the Borrowers shall deliver to the Agent an annual actuarial report regarding their compliance with the funding requirements applicable to them with respect to each Multiemployer Plan and each Plan that constitutes a "defined benefit plan" (as defined in ERISA).

6.14. TRANSACTIONS WITH AFFILIATES. Except with respect to transactions set forth on Exhibit 6.14, none of the Obligors shall effect any transaction with any of their respective Affiliates (except for other Obligors) on a basis less favorable to such Obligor than would be the case if such transaction had been effected with a non-Affiliate.

6.15. ENVIRONMENTAL LAWS.

6.15.1. COMPLIANCE WITH LAW AND PERMITS. Each of the Obligors shall use and operate all of its facilities and properties in material compliance with all Environmental Laws, keep all necessary permits, approvals, certificates, licenses and other authorizations relating to environmental matters in effect and remain in material compliance therewith, and handle all Hazardous Materials in material compliance with all applicable Environmental Laws.

6.15.2. NOTICE OF CLAIMS, ETC. Each of the Obligors shall immediately notify the Agent, and provide copies upon receipt, of all written claims, complaints, notices or inquiries from governmental authorities relating to the condition of its facilities and properties or compliance with Environmental Laws, and shall promptly cure and have dismissed with prejudice to the satisfaction of the Agent any actions and proceedings relating to compliance with Environmental Laws.

6.16. DEPOSITORY ACCOUNTS. The Borrowers shall maintain, and shall cause all of their Subsidiaries to maintain, all principal deposit accounts used in their businesses at one or more of the Lenders.

7. REPRESENTATIONS AND WARRANTIES. In order to induce the Lenders to extend credit to the Borrowers hereunder, each of the Obligors as are party hereto from time to time jointly and severally represents and warrants as follows:

7.1. ORGANIZATION AND BUSINESS.

7.1.1. THE OBLIGORS. Each of the Obligors is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is organized with all power and authority, corporate or otherwise, necessary to (a) enter into and perform this Agreement and each other Credit Document to which it is party, (b) guarantee the Credit Obligations, and (c) own its properties and carry on the business now conducted or proposed to be conducted by it. Certified copies of the Charter and Bylaws of each Obligor have been previously delivered to the Agent and are correct and complete. Exhibit 7.1, as from time to time hereafter supplemented in accordance with Sections 6.4.1 and 6.4.2, sets forth, as of the later of the date hereof or as of the end of the most recent fiscal quarter for which financial statements are required to be furnished in accordance with such Sections, (i) the name and jurisdiction of incorporation of each Borrower and (ii) the address of each Borrower's principal executive office and chief place of business.

7.1.2. QUALIFICATION. Each of the Borrowers is duly and legally qualified to do business as a foreign corporation and is in good standing in each state or jurisdiction in which such qualification is required and is duly authorized, qualified and licensed under all laws, regulations, ordinances or orders of public authorities, or otherwise, to carry on its business in the places and in the manner in which it is conducted, except for failures to be so qualified, authorized or licensed which would not in the aggregate result, or pose a material risk of resulting, in any Material Adverse Change.

7.1.3. CAPITALIZATION. Other than capital stock issued to selling physicians or their advisors as part of the consideration in a Permitted Acquisition or issued to Directors, Officers and other employees of the Borrowers and other Accredited Investors as defined by Rule 501 under the Securities Act of 1933, as amended, no options, warrants, conversion rights, preemptive rights or other statutory or contractual rights to purchase shares of capital stock or other securities of any Borrower, other than the Company, now exist, nor has any Borrower, other than the Company, authorized any such right, nor is any Borrower, other than the Company, obligated in any other manner to issue shares of its capital stock or other securities.

7.2. FINANCIAL STATEMENTS AND OTHER INFORMATION; MATERIAL AGREEMENTS.

7.2.1. FINANCIAL STATEMENTS AND OTHER INFORMATION. The Borrowers have previously furnished to the Lenders copies of the following:

(a) The audited balance sheets of the Borrowers as at December 31, 1999 and the audited statements of income and the audited statements of changes in shareholders' equity and of cash flows of the Borrowers for its fiscal year then ended.

(b) The unaudited balance sheets of the Borrowers for the three months ended March 31, 2000 and the unaudited statements of income and of cash flows of the Borrowers for the portion of the fiscal year then ended.

The audited financial statements (including the notes thereto) referred to in clause (a) above were prepared in accordance with GAAP and fairly present the financial position of the Borrowers at the date thereof and the results of their operations for the periods covered thereby. The audited financial statements referred to in clause (a) above and the unaudited financial statements referred to in clause (b) above were prepared in accordance with GAAP and fairly present the financial position of the Borrowers at the respective dates thereof and the results of its operations for the periods covered thereby, subject to normal year-end audit adjustment and the addition of footnotes in the case of interim financial statements. Except as described on Exhibit 7.11, none of the Borrowers has any known contingent liability material to it which is not reflected in the balance sheets referred to in clauses (a) or (b) above (or delivered pursuant to Sections 6.4.1 or 6.4.2) or in the notes thereto.

7.2.2. MATERIAL AGREEMENTS. The Borrowers have previously furnished to the Lenders correct and complete copies, including all exhibits, schedules and amendments thereto, of the agreements, each as in effect on the date hereof, listed in Exhibit 7.2.2 (the "MATERIAL AGREEMENTS").

7.3. CHANGES IN CONDITION. Since December 31, 1999 no Material Adverse Change has occurred and between December 31, 1999 and the date hereof, except as set forth in Exhibit 7.3, none of the Obligors has entered into any material transaction outside the ordinary course of business except for the transactions contemplated by or otherwise permitted or authorized pursuant to this Agreement and the Material Agreements.

7.4. TITLE TO ASSETS. Each of the Borrowers has good and marketable title to or rights to use under leases all assets necessary for or used in the operations of their business as now conducted by them and reflected in the most recent balance sheet referred to in Section 7.2.1 (or the balance sheet most recently furnished to the Lenders pursuant to Sections 6.4.1 or 6.4.2), and to all assets acquired subsequent to the date of such balance sheet, subject to no Liens except for Liens permitted by Section 6.8 or reflected on Exhibit 7.4 and except for assets disposed of as permitted by Section 6.12.

7.5. OPERATIONS IN CONFORMITY WITH LAW, ETC. The operations of the Obligors as now conducted or proposed to be conducted are not in violation of, nor is any Obligor in default under, any Legal Requirement presently in effect, except for such violations and defaults as do not and will not, in the aggregate, result, or create a material risk of resulting, in any Material Adverse Change. No Obligor has received notice of any such violation or default or has knowledge of any basis on which the operations of the Obligors, as now conducted and as currently proposed to be conducted after the date hereof, would be held so as to violate or to give rise to any such violation or default.

7.6. LITIGATION. Except as otherwise set forth in Exhibit 7.6, no litigation, at law or in equity, or any proceeding before any court, board or other governmental or administrative agency or any arbitrator is pending or, to the knowledge of any Borrower, threatened which may involve any material risk of any final judgment, order or liability which, after giving effect to any applicable insurance, has resulted, or creates a material risk of resulting, in any Material Adverse Change or which seeks to enjoin the consummation, or which questions the validity, of any of the transactions contemplated by this Agreement or any other Credit Document. No judgment, decree or order of any court, board or other governmental or administrative agency or any arbitrator has been issued against or binds any Obligor which has resulted, or creates a material risk of resulting, in any Material Adverse Change.

7.7. AUTHORIZATION AND ENFORCEABILITY. Each of the Obligors has taken all corporate action required to execute, deliver and perform this Agreement and each other Credit Document to which it is

party. No consent of stockholders of any Obligor is necessary in order to authorize the execution, delivery or performance of this Agreement or any other Credit Document to which such Obligor is party. Each of this Agreement and each other Credit Document constitutes the legal, valid and binding obligation of each Obligor party thereto and is enforceable against such Obligor in accordance with its terms.

7.8. NO LEGAL OBSTACLE TO AGREEMENTS. Neither the execution and delivery of this Agreement or any other Credit Document, nor the making of any borrowings hereunder, nor the guaranteeing of the Credit Obligations, nor the securing of the Credit Obligations with the Credit Security, nor the consummation of any transaction referred to in or contemplated by this Agreement or any other Credit Document, nor the fulfillment of the terms hereof or thereof or of any other agreement, instrument, deed or lease contemplated by this Agreement or any other Credit Document, has constituted or resulted in or will constitute or result in:

(a) any breach or termination of the provisions of any material agreement, instrument, deed or lease to which any Obligor is a party or by which it is bound, or of the Charter or By-laws of any Obligor;

(b) the violation of any law, statute, judgment, decree or governmental order, rule or regulation applicable to any Obligor;

(c) the creation under any agreement, instrument, deed or lease of any Lien (other than Liens on the Credit Security which secure the Credit Obligations) upon any of the assets of any Obligor; or

(d) any redemption, retirement or other repurchase obligation of any Obligor under any Charter, Bylaw, agreement, instrument, deed or lease.

No approval, authorization or other action by, or declaration to or filing with, any governmental or administrative authority or any other Person is required to be obtained or made by any Obligor in connection with the execution, delivery and performance of this Agreement, the Revolving Notes or any other Credit Document, the transactions contemplated hereby or thereby, the making of any borrowing hereunder, the guaranteeing of the Credit Obligations or the securing of the Credit Obligations with the Credit Security.

7.9. DEFAULTS. None of the Obligors is in default under any provision of its Charter or By-laws or of this Agreement or any other Credit Document. None of the Obligors is in default under any provision of any material agreement, instrument, deed or lease to which it is party or by which it or its property is bound. None of the Obligors has violated any law, judgment, decree or governmental order, rule or regulation, in each case so as to result, or create a material risk of resulting, in any Material Adverse Change.

7.10. LICENSES, ETC. The Obligors have all patents, patent applications, patent licenses, patent rights, trademarks, trademark rights, trade names, trade name rights, copyrights, licenses, franchises, permits, authorizations and other rights as are necessary for the conduct of the business of the Obligors as now conducted by them. All of the foregoing are in full force and effect in all material respects, and each of the Obligors is in substantial compliance with the foregoing without any known conflict with the valid rights of others which has resulted, or creates a material risk of resulting, in any Material Adverse Change. No event has occurred which permits, or after notice or lapse of time or both would permit, the revocation or termination of any such license, franchise or other right or which affects the rights of any of the Obligors

thereunder so as to result, or to create a material risk of resulting, in any Material Adverse Change. No litigation or other proceeding or dispute exists with respect to the validity or, where applicable, the extension or renewal, of any of the foregoing which has resulted, or creates a material risk of resulting, in any Material Adverse Change.

7.11. TAX RETURNS. Each of the Obligors has filed all material tax and information returns which are required to be filed by it and has paid, or made adequate provision for the payment of, all taxes which have or may become due pursuant to such returns or to any assessment received by it. Except as disclosed on Exhibit 7.11, none of the Obligors knows of any material additional assessments or any basis therefor. Each of the Obligors reasonably believes that the charges, accruals and reserves on the books of the Obligors in respect of taxes or other governmental charges are adequate.

7.12. FUTURE EXPENDITURES. None of the Obligors anticipate that the future expenditures, if any, by the Obligors needed to meet the provisions of any federal, state or foreign governmental statutes, orders, rules or regulations will be so burdensome as to result, or create a material risk of resulting, in any Material Adverse Change.

7.13. ENVIRONMENTAL REGULATIONS.

7.13.1. ENVIRONMENTAL COMPLIANCE. Each of the Borrowers is in compliance in all material respects with the Clean Air Act, the Federal Water Pollution Control Act, the Marine Protection Research and Sanctuaries Act, RCRA, CERCLA and any other Environmental Law in effect in any jurisdiction in which any properties of the Borrowers are located or where any of them conducts its business, and with all applicable published rules and regulations (and applicable standards and requirements) of the federal Environmental Protection Agency and of any similar agencies in states or foreign countries in which the Borrowers conduct their businesses other than those which in the aggregate have not resulted, and do not create a material risk of resulting, in a Material Adverse Change.

7.13.2. ENVIRONMENTAL LITIGATION. No suit, claim, action or proceeding of which any Borrower has been given notice or otherwise has knowledge is now pending before any court, governmental agency or board or other forum, or to any Borrower's knowledge, threatened by any Person (nor to any Borrower's knowledge, does any factual basis exist therefor) for, and none of the Borrowers have received written correspondence from any federal, state or local governmental authority with respect to:

(a) noncompliance by any Borrower with any Environmental Law;

(b) personal injury, wrongful death or other tortious conduct relating to materials, commodities or products used, generated, sold, transferred or manufactured by any Borrower (including products made of, containing or incorporating asbestos, lead or other hazardous materials, commodities or toxic substances); or

(c) the release into the environment by any Borrower of any Hazardous Material generated by any Borrower whether or not occurring at or on a site owned, leased or operated by any Borrower.

7.13.3. ENVIRONMENTAL CONDITION OF PROPERTIES. None of the properties owned or leased by any Borrower has been used as a treatment, storage or disposal site, other than as disclosed in Exhibit 7.13. No Hazardous Material is present in any real property currently or formerly owned or operated by any Borrower except that which has not resulted, and does not create a material risk of resulting, in a Material Adverse Change.

7.14. PENSION PLANS. Each Plan (other than a Multiemployer Plan) and, to the knowledge of each of the Obligors, each Multiemployer Plan is in material compliance with the applicable provisions of ERISA and the Code and with Section 6.13. Each Multiemployer Plan and each Plan that constitutes a "defined benefit plan" (as defined in ERISA) are set forth in Exhibit 7.14. Each Control Group Person has met all of the funding standards applicable to all Plans that are not Multiemployer Plans, and no condition exists which would permit the institution of proceedings to terminate any Plan that is not a Multiemployer Plan under section 4042 of ERISA. To the best knowledge of each of the Obligors, no Plan that is a Multiemployer Plan is currently insolvent or in reorganization or has been terminated within the meaning of ERISA.

7.15. ACQUISITION AGREEMENT, ETC. Each Acquisition Agreement is a valid and binding contract as to the Borrower party thereto and, to the best of such Borrower's knowledge, as to the Sellers party thereto. Such Borrower is not in default in any material respect of its obligations under any Acquisition Agreement and, to the best of such Borrower's knowledge, the Sellers party thereto are not in default in any material respect of any of their obligations thereunder. The representations and warranties of such Borrower set forth in each Acquisition Agreement are true and correct in all material respect as of the date hereof with the same force and effect as though made on and as of the date hereof. To the best of such Borrower's knowledge all of the representations and warranties of the Sellers set forth in each Acquisition Agreement are true and correct in all material respects as of the date hereof with the same force and effect as though made on and as of the date hereof.

7.16. DISCLOSURE. Neither this Agreement nor any other Credit Document to be furnished to the Lenders by or on behalf of any Obligor in connection with the transactions contemplated hereby or by such Credit Document contains any untrue statement of material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made. No fact is actually known to any Obligor which has resulted, or in the future (so far as any Obligor can reasonably foresee) will result, or creates a material risk of resulting, in any Material Adverse Change, except to the extent that present or future general economic conditions may result in a Material Adverse Change.

8. Defaults.

8.1. EVENTS OF DEFAULT. The following events are referred to as "EVENTS OF DEFAULT":

8.1.1. PAYMENT. Any Borrower shall fail to make any payment in respect of: (a) interest or any fee on or in respect of any of the Credit Obligations owed by it as the same shall become due and payable, and such failure shall continue for a period of three Banking Days, (b) any Credit Obligation with respect to payments made by any Letter of Credit Issuer under any Letter of Credit or any draft drawn thereunder within three Banking Days after demand therefor by such Letter of Credit Issuer, or (c) principal of any of the Credit Obligations owed by it as the same shall become due, whether at maturity or by acceleration or otherwise.

8.1.2. SPECIFIED COVENANTS. Any Obligor shall fail to perform or observe any of the provisions of Section 6.4.5 or Sections 6.5 through and including 6.16.

8.1.3. OTHER COVENANTS. Any Obligor shall fail to perform or observe any other covenant, agreement or provision to be performed or observed by it under this Agreement or any other Credit Document, and such failure shall not be rectified or cured to the written satisfaction of the Required Lenders within 30 days after notice thereof by the Agent to the Borrowers or (b) knowledge thereof by the Chief Executive Officer of Chief Financial Officer of the Company.

8.1.4. REPRESENTATIONS AND WARRANTIES. Any representation or warranty of or with respect to any Obligor made to the Lenders or the Agent in, pursuant to or in connection with this Agreement or any other Credit Document shall be materially false on the date as of which it was made.

8.1.5. CROSS DEFAULT. Any Obligor shall fail to make any payment when due (after giving effect to any applicable grace periods) in respect of any Indebtedness or of any Capitalized Lease (other than the Credit Obligations) outstanding in an aggregate amount of principal (whether or not due) of $250,000 or more or shall fail to perform or observe any material terms evidencing or securing any such Indebtedness or Capitalized Lease, the result of which failure is to permit the holder of such Indebtedness or Capitalized Lease to cause such Indebtedness or Capitalized Lease to become due before its stated maturity.

8.1.6. ENFORCEABILITY, ETC. Any Credit Document or any Material Agreement shall cease for any reason (other than the scheduled termination thereof in accordance with its terms) to be enforceable in accordance with its terms or in full force and effect; or any Obligor in respect of any Credit Document or any Material Agreement shall so assert in a judicial or similar proceeding; or the security interests created by this Agreement or any other Credit Documents shall cease to be enforceable and of the same effect and priority purported to be created hereby.

8.1.7. MEDICAID, ETC. Any of the Borrowers receives notice of exclusion from eligibility from Medicaid or any of the Borrowers or their officers, employees or agents engage in activities which are prohibited by any of the federal Medicare and Medicaid Anti-Kickback Statute, 42 U.S.C. ss. 1320a-7b, the Ethics in Patient Referrals Act (the "Stark Law") 42 U.S.C. ss. 1395 nn, as amended, the regulations promulgated thereunder, or related state or local statutes or regulations or which are prohibited by rules of professional conduct except where the failure to so comply could not result in a Material Adverse Effect.

8.1.8. CHANGE OF CONTROL. There shall be a change of control in the Company which may consist of either (a) a change within any six month period in the persons holding three or more of the following offices of the Company: President, Chief Operating Officer, Chief Financial Officer, General Counsel, or Vice President of Business Development; or (b) Dr. Roger J. Medel (i) ceasing at any time to serve as Chief Executive Officer of the Company or (ii) becoming physically or mentally disabled for six months or more (which may consist of more than one period of disability) such that he is unable to perform his normal administrative duties as President and Chief Executive Officer of the Company.

8.1.9. JUDGMENTS. A final judgment (a) which, with other outstanding final judgments against the Obligors, exceeds an aggregate of $500,000 in excess of applicable insurance coverage

shall be rendered against any Obligor, or (b) which grants injunctive relief that results, or creates a material risk of resulting, in a Material Adverse Change and in either case if, (i) within 60 days after entry thereof, such judgment shall not have been discharged or execution thereof stayed pending appeal or (ii) within 60 days after the expiration of any such stay, such judgment shall not have been discharged.

8.1.10. ERISA. Any "reportable event" (as defined in section 4043 of ERISA) shall have occurred that reasonably could be expected to result in termination of a Material Plan or the appointment by the appropriate United States District Court of a trustee to administer any Material Plan or the imposition of a Lien in favor of a Material Plan; or any ERISA Group Person shall fail to pay when due amounts aggregating in excess of $500,000 which it shall have become liable to pay to the PBGC or to a Material Plan under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any ERISA Group Person or administrator; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding shall be instituted by a fiduciary of any Material Plan against any ERISA Group Person to enforce section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within 30 days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated.

8.1.11. BANKRUPTCY, ETC. Any Obligor shall:

(a) commence a voluntary case under the Bankruptcy Code or authorize, by appropriate proceedings of its board of directors or other governing body, the commencement of such a voluntary case;

(b) (i) have filed against it a petition commencing an involuntary case under the Bankruptcy Code that shall not have been dismissed within 60 days after the date on which such petition is filed, or (ii) file an answer or other pleading within such 60-day period admitting or failing to deny the material allegations of such a petition or seeking, consenting to or acquiescing in the relief therein provided, or (iii) have entered against it an order for relief in any involuntary case commenced under the Bankruptcy Code;

(c) seek relief as a debtor under any applicable law, other than the Bankruptcy Code, of any jurisdiction relating to the liquidation or reorganization of debtors or to the modification or alteration of the rights of creditors, or consent to or acquiesce in such relief;

(d) have entered against it an order by a court of competent jurisdiction (i) finding it to be bankrupt or insolvent, (ii) ordering or approving its liquidation or reorganization as a debtor or any modification or alteration of the rights of its creditors or (iii) assuming custody of, or appointing a receiver or other custodian for, all or a substantial portion of its property; or

(e) make an assignment for the benefit of, or enter into a composition with, its creditors, or appoint, or consent to the appointment of, or suffer to exist a receiver or other custodian for, all or a substantial portion of its property.

8.2. CERTAIN ACTIONS FOLLOWING AN EVENT OF DEFAULT. If any one or more Events of Default shall occur and be continuing, then in each and every such case:

8.2.1. TERMINATE OBLIGATION TO EXTEND CREDIT. The Agent on behalf of the Lenders may (and upon written request of the Lenders holding at least one-third of the Percentage Interests the Agent shall) terminate the obligations of the Lenders to make any further extensions of credit under the Credit Documents by furnishing notice of such termination to the Borrowers.

8.2.2. SPECIFIC PERFORMANCE; EXERCISE OF RIGHTS. The Agent on behalf of the Lenders may (and upon written request of the Lenders holding at least one-third of the Percentage Interests the Agent shall) proceed to protect and enforce the Lenders' rights by suit in equity, action at law and/or other appropriate proceeding, either for specific performance of any covenant or condition contained in this Agreement or any other Credit Document or in any instrument or assignment delivered to the Lenders pursuant to this Agreement or any other Credit Document, or in aid of the exercise of any power granted in this Agreement or any other Credit Document or any such instrument or assignment.

8.2.3. ACCELERATION. The Agent on behalf of the Lenders may (and upon written request of the Lenders holding at least one-third of the Percentage Interests the Agent shall) by notice in writing to the Borrowers declare all or any part of the unpaid balance of the Credit Obligations then outstanding to be immediately due and payable, require the Borrower immediately to deposit with the Agent in cash an amount equal to the then Letter of Credit Exposure (which cash shall be held and applied as provided in Section 4.2), and thereupon such unpaid balance or part thereof and such amount equal to the Letter of Credit Exposure shall become so due and payable without presentation, protest or further demand or notice of any kind, all of which are hereby expressly waived; PROVIDED, HOWEVER, that if a Bankruptcy Default shall have occurred, the unpaid balance of the Credit Obligations shall automatically become immediately due and payable.

8.2.4. ENFORCEMENT OF PAYMENT. The Agent on behalf of the Lenders may (and upon written request of the Lenders holding at least one-third of the Percentage Interests the Agent shall) proceed to enforce payment of the Credit Obligations in such manner as it may elect to cancel, or instruct other Letter of Credit Issuers to cancel, any outstanding Letters of Credit which permit the cancellation thereof. The Lenders may offset and apply toward the payment of the Credit Obligations (and/or toward the curing of any Event of Default) any Indebtedness from the Lenders to the respective Obligors, including any Indebtedness represented by deposits in any account maintained with the Lenders, regardless of the adequacy of any security for the Credit Obligations. The Lenders shall have no duty to determine the adequacy of any such security in connection with any such offset.

8.2.5. CUMULATIVE REMEDIES. To the extent not prohibited by applicable law which cannot be waived, all of the Lenders' rights hereunder and under each other Credit Document shall be cumulative.

8.3. ANNULMENT OF DEFAULTS. Any Default or Event of Default shall be deemed not to exist or to have occurred for any purpose of the Credit Documents if the Required Lenders or the Agent (with the consent of the Required Lenders) shall have waived such Default or Event of Default in writing, stated in writing that the same has been cured to such Lenders' reasonable satisfaction or entered into an amendment to this Agreement which by its express terms cures such Event of Default, at which time such Event of Default shall no longer be deemed to exist or to have continued. No such action by the Lenders or the Agent shall extend to or affect any subsequent Event of Default or impair any rights of the Lenders upon the

occurrence thereof. The making of any extension of credit during the existence of any Default or Event of Default shall not constitute a waiver thereof.

8.4. WAIVERS. To the extent that such waiver is not prohibited by the provisions of applicable law that cannot be waived, each of the Obligors waives:

(a) all presentments, demands for performance, notices of nonperformance (except to the extent required by this Agreement or any other Credit Document), protests, notices of protest and notices of dishonor;

(b) any requirement of diligence or promptness on the part of any Lender in the enforcement of its rights under this Agreement, the Revolving Notes, the Mortgage, the Mortgage Note or any other Credit Document;

(c) any and all notices of every kind and description which may be required to be given by any statute or rule of law; and

(d) any defense (other than indefeasible payment in full) which it may now or hereafter have with respect to its liability under this Agreement, the Revolving Notes, the Mortgage, the Mortgage Note or any other Credit Document or with respect to the Credit Obligations.

9. GUARANTEES.

9.1. GUARANTEES OF CREDIT OBLIGATIONS. Each Guarantor unconditionally jointly and severally guarantees that the Credit Obligations will be performed and will be paid in full in immediately available funds when due and payable, whether at the stated or accelerated maturity thereof or otherwise, this guarantee being a guarantee of payment and not of collectability and being absolute and in no way conditional or contingent. In the event any part of the Credit Obligations shall not have been so paid in full when due and payable, each Guarantor will, immediately upon notice by the Agent or, without notice, immediately upon the occurrence of a Bankruptcy Default, pay or cause to be paid to the Agent for the account of each Lender in accordance with the Lenders' respective Percentage Interests the amount of such Credit Obligations which are then due and payable and unpaid. The obligations of each Guarantor hereunder shall not be affected by the invalidity, unenforceability or irrecoverability of any of the Credit Obligations as against any other Obligor, any other guarantor thereof or any other Person. For purposes hereof, the Credit Obligations shall be due and payable when and as the same shall be due and payable under the terms of this Agreement or any other Credit Document notwithstanding the fact that the collection or enforcement thereof may be stayed or enjoined under the Bankruptcy Code or other applicable law.

9.2. CONTINUING OBLIGATION. Each Guarantor acknowledges that the Lenders and the Agent have entered into this Agreement (and, to the extent that the Lenders or the Agent may enter into any future Credit Document, will have entered into such agreement) in reliance on this Section 9 being a continuing irrevocable agreement, and such Guarantor agrees that its guarantee may not be revoked in whole or in part. The obligations of the Guarantors hereunder shall terminate when the commitment of the Lenders to extend credit under this Agreement shall have terminated and all of the Credit Obligations have been indefeasibly paid in full in immediately available funds and discharged; PROVIDED, HOWEVER, that:

(a) if a claim is made upon the Lenders at any time for repayment or recovery of any amounts or any property received by the Lenders from any source on account of any of the Credit

Obligations and the Lenders repay or return any amounts or property so received (including interest thereon to the extent required to be paid by the Lenders) or

(b) if the Lenders become liable for any part of such claim by reason of (i) any judgment or order of any court or administrative authority having competent jurisdiction, or (ii) any settlement or compromise of any such claim,

then the Guarantors shall remain liable under this Agreement for the amounts so repaid or property so returned or the amounts for which the Lenders become liable (such amounts being deemed part of the Credit Obligations) to the same extent as if such amounts or property had never been received by the Lenders, notwithstanding any termination hereof or the cancellation of any instrument or agreement evidencing any of the Credit Obligations. Not later than five days after receipt of notice from the Agent, the Guarantors shall jointly and severally pay to the Agent an amount equal to the amount of such repayment or return for which the Lenders have so become liable. Payments hereunder by a Guarantor may be required by the Agent on any number of occasions.

9.3. WAIVERS WITH RESPECT TO CREDIT OBLIGATIONS. Except to the extent expressly required by this Agreement or any other Credit Document, each Guarantor waives, to the fullest extent permitted by the provisions of applicable law, all of the following (including all defenses, counterclaims and other rights of any nature based upon any of the following):

(a) presentment, demand for payment and protest of nonpayment of any of the Credit Obligations, and notice of protest, dishonor or nonperformance;

(b) notice of acceptance of this guarantee and notice that credit has been extended in reliance on the Guarantor's guarantee of the Credit Obligations;

(c) notice of any Default or of any inability to enforce performance of the obligations of the Company or any other Person with respect to any Credit Document, or notice of any acceleration of maturity of any Credit Obligations;

(d) demand for performance or observance of, and any enforcement of any provision of, the Credit Obligations, this Agreement or any other Credit Document or any pursuit or exhaustion of rights or remedies with respect to any Credit Security or against the Company or any other Person in respect of the Credit Obligations or any requirement of diligence or promptness on the part of the Agent or the Lenders in connection with any of the foregoing;

(e) any act or omission on the part of the Agent or the Lenders which may impair or prejudice the rights of the Guarantor, including rights to obtain subrogation, exoneration, contribution, indemnification or any other reimbursement from the Company or any other Person, or otherwise operate as a deemed release or discharge;

(f) failure or delay to perfect or continue the perfection of any security interest in any Credit Security or any other action which harms or impairs the value of, or any failure to preserve or protect the value of, any Credit Security;

(g) any statute of limitations or any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in other respects more burdensome than the obligation of the principal;

(h) any "single action" or "anti-deficiency" law which would otherwise prevent the Lenders from bringing any action, including any claim for a deficiency, against the Guarantor before or after the Agent's or the Lenders' commencement or completion of any foreclosure action, whether judicially, by exercise of power of sale or otherwise, or any other law which would otherwise require any election of remedies by the Agent or the Lenders;

(i) all demands and notices of every kind with respect to the foregoing; and

(j) to the extent not referred to above, all defenses (other than payment) which the Company may now or hereafter have to the payment of the Credit Obligations, together with all suretyship defenses, which could otherwise be asserted by such Guarantor.

Each Guarantor represents that it has obtained the advice of counsel as to the extent to which suretyship and other defenses may be available to it with respect to its obligations hereunder in the absence of the waivers contained in this Section 9.3.

No delay or omission on the part of the Agent or the Lenders in exercising any right under this Agreement or any other Credit Document or under any guarantee of the Credit Obligations or with respect to the Credit Security shall operate as a waiver or relinquishment of such right. No action which the Agent or the Lenders or the Company may take or refrain from taking with respect to the Credit Obligations, including any amendments thereto or modifications thereof or waivers with respect thereto, shall affect the provisions of this Agreement or the obligations of the Guarantor hereunder. None of the Lenders' or the Agent's rights shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of any Obligor, or by any noncompliance by the Company with the terms, provisions and covenants of this Agreement, regardless of any knowledge thereof which the Agent or the Lenders may have or otherwise be charged with.

9.4. LENDERS' POWER TO WAIVE, ETC. Each Guarantor grants to the Lenders full power in their discretion, without notice to or consent of such Guarantor, such notice and consent being expressly waived to the fullest extent permitted by applicable law, and without in any way affecting the liability of the Guarantor under its guarantee hereunder:

(a) To waive compliance with, and any Default under, and to consent to any amendment to or modification or termination of any terms or provisions of, or to give any waiver in respect of, this Agreement, any other Credit Document, the Credit Security, the Credit Obligations or any guarantee thereof (each as from time to time in effect);

(b) To grant any extensions of the Credit Obligations (for any duration), and any other indulgence with respect thereto, and to effect any total or partial release (by operation of law or otherwise), discharge, compromise or settlement with respect to the obligations of the Obligors or any other Person in respect of the Credit Obligations, whether or not rights against the Guarantor under this Agreement are reserved in connection therewith;

(c) To take security in any form for the Credit Obligations, and to consent to the addition to or the substitution, exchange, release or other disposition of, or to deal in any other manner with, any part of any property contained in the Credit Security whether or not the property, if any, received upon the exercise of such power shall be of a character or value the same as or different from the character or value of any property disposed of, and to obtain, modify or release any present or future guarantees of the Credit Obligations and to proceed against any of the Credit Security or such guarantees in any order;

(d) To collect or liquidate or realize upon any of the Credit Obligations or the Credit Security in any manner or to refrain from collecting or liquidating or realizing upon any of the Credit Obligations or the Credit Security; and

(e) To extend credit under this Agreement, any other Credit Document or otherwise in such amount as the Lenders may determine, including increasing the amount of credit and the interest rate and fees with respect thereto, even though the condition of the Obligors (financial or otherwise on an individual or Consolidated basis) may have deteriorated since the date hereof.

9.5. INFORMATION REGARDING THE BORROWERS, ETC. Each Guarantor has made such investigation as it deems desirable of the risks undertaken by it in entering into this Agreement and is fully satisfied that it understands all such risks. Each Guarantor waives any obligation which may now or hereafter exist on the part of the Agent or the Lenders to inform it of the risks being undertaken by entering into this Agreement or of any changes in such risks and, from and after the date hereof, each Guarantor undertakes to keep itself informed of such risks and any changes therein. Each Guarantor expressly waives any duty which may now or hereafter exist on the part of the Agent or the Lenders to disclose to the Guarantor any matter related to the business, operations, character, collateral, credit, condition (financial or otherwise), income or prospects of the Borrowers or their respective Affiliates or their properties or management, whether now or hereafter known by the Agent or the Lenders. Each Guarantor represents, warrants and agrees that it assumes sole responsibility for obtaining from the Borrowers all information concerning this Agreement and all other Credit Documents and all other information as to the Borrowers and their respective Affiliates or their properties or management as such Guarantor deems necessary or desirable.

9.6. CERTAIN GUARANTOR REPRESENTATIONS. Each Guarantor represents that:

(a) it is in its best interest and in pursuit of the purposes for which it was organized as an integral part of the business conducted and proposed to be conducted by the Borrowers and their respective Subsidiaries, and reasonably necessary and convenient in connection with the conduct of the business conducted and proposed to be conducted by them, to induce the Lenders to enter into this Agreement and to extend credit to the Borrowers by making the Guarantees contemplated by this Section 9,

(b) the credit available hereunder will directly or indirectly inure to its benefit,

(c) by virtue of the foregoing it is receiving at least reasonably equivalent value from the Lenders for its Guarantee,

(d) it will not be rendered insolvent as a result of entering into this Agreement,

(e) after giving effect to the transactions contemplated by this Agreement, it will have assets having a fair saleable value in excess of the amount required to pay its probable liability on its existing debts as they become absolute and matured,

(f) it has, and will have, access to adequate capital for the conduct of its business,

(g) it has the ability to pay its debts from time to time incurred in connection with its business as such debts mature, and

(h) it has been advised by the Agent that the Lenders are unwilling to enter into this Agreement unless the Guarantees contemplated by this Section 9 are given by it.

9.7. SUBROGATION. Each Guarantor agrees that, until the Credit Obligations are paid in full, it will not exercise any right of reimbursement, subrogation, contribution, offset or other claims against the other Obligors arising by contract or operation of law in connection with any payment made or required to be made by such Guarantor under this Agreement. After the payment in full of the Credit Obligations, each Guarantor shall be entitled to exercise against the Borrowers and the other Obligors all such rights of reimbursement, subrogation, contribution and offset, and all such other claims, to the fullest extent permitted by law.

9.8. SUBORDINATION. Each Guarantor covenants and agrees that, after the occurrence of an Event of Default, all Indebtedness, claims and liabilities then or thereafter owing by the Borrowers or any other Obligor to such Guarantor whether arising hereunder or otherwise are subordinated to the prior payment in full of the Credit Obligations and are so subordinated as a claim against such Obligor or any of its assets, whether such claim be in the ordinary course of business or in the event of voluntary or involuntary liquidation, dissolution, insolvency or bankruptcy, so that no payment with respect to any such Indebtedness, claim or liability will be made or received while any Event of Default exists.

9.9. FUTURE SUBSIDIARIES; FURTHER ASSURANCES. Each Borrower will from time to time cause (a) any present Wholly Owned Subsidiary that is not a Guarantor within 30 days after notice from the Agent or (b) any future Wholly Owned Subsidiary within 30 days after any such Person becomes a Wholly Owned Subsidiary, to join this Agreement as a Borrower and a Guarantor pursuant to a joinder agreement in the form attached hereto as Exhibit 5.3.2. Each Guarantor will, promptly upon the request of the Agent from time to time, execute, acknowledge and deliver, and file and record, all such instruments, and take all such action, as the Agent deems necessary or advisable to carry out the intent and purposes of this Section 9.

10. EXPENSES; INDEMNITY.

10.1. EXPENSES. Whether or not the transactions contemplated hereby shall be consummated, the Company will pay:

(a) all reasonable expenses of the Agent (including the out-of-pocket expenses related to forming the group of Lenders and reasonable fees and disbursements of the counsel to the Agent) in connection with the preparation and duplication of this Agreement, each other Credit Document, the transactions contemplated hereby and thereby and amendments, waivers, consents and other operations hereunder and thereunder;

(b) all recording and filing fees and transfer and documentary stamp and similar taxes at any time payable in respect of this Agreement, any other Credit Document, or the incurrence of the Credit Obligations; and

(c) to the extent not prohibited by applicable law that cannot be waived, after the occurrence and during the continuance of any Default or Event of Default, all other reasonable expenses incurred by the Lenders or the holder of any Credit Obligation in connection with the enforcement of any rights hereunder or under any other Credit Document, including costs of collection and reasonable attorneys' fees (including a reasonable allowance for the hourly cost of attorneys employed by the Lenders on a salaried basis) and expenses.

10.2. GENERAL INDEMNITY. The Borrowers shall indemnify the Lenders and the Agent and hold them harmless from any liability, loss or damage resulting from the violation by the Company of Section 2.3. In addition, the Borrowers shall indemnify each Lender, the Agent, each of the Lenders' or the Agent's directors, officers and employees, and each Person, if any, who controls any Lender or the Agent (each Lender, the Agent and each of such directors, officers, employees and control Persons is referred to as an "INDEMNIFIED PARTY") and hold each of them harmless from and against any and all claims, damages, liabilities and reasonable expenses (including reasonable fees and disbursements of counsel with whom any Indemnified Party may consult in connection therewith and all reasonable expenses of litigation or preparation therefor) which any Indemnified Party may incur or which may be asserted against any Indemnified Party in connection with (a) the Indemnified Party's compliance with or contest of any subpoena or other process issued against it in any proceeding involving any of the Obligors or their Affiliates, (b) any litigation or investigation involving the Obligors or their Affiliates, or any officer, director or employee thereof, or (c) this Agreement, any other Credit Document or any transaction contemplated hereby or thereby; PROVIDED, HOWEVER, that the foregoing indemnity shall not apply to litigation commenced by any Borrower or Obligor against the Lenders or the Agent which seeks enforcement of any of the rights of such Borrower or Obligor hereunder or under any other Credit Document and is determined adversely to the Lenders or the Agent in a final nonappealable judgment or to the extent such claims, damages, liabilities and expenses result from a Lender's or the Agent's gross negligence or willful misconduct.

10.3. INDEMNITY WITH RESPECT TO LETTERS OF CREDIT. The Borrower shall indemnify each Letter of Credit Issuer and its correspondents and hold each of them harmless from and against any and all claims, losses, liabilities, damages and reasonable expenses (including reasonable attorneys' fees) arising from or in connection with any Letter of Credit, including any such claim, loss, liability, damage or expense arising out of any transfer, sale, delivery, surrender or endorsement of any invoice, bill of lading, warehouse receipt or other document at any time held by the Agent, such Letter of Credit Issuer or held for their respective accounts by any of their correspondents, in connection with any Letter of Credit, except to the extent such claims, losses, liabilities, damages and expenses result from gross negligence or willful misconduct on the part of the Agent or any other Letter of Credit Issuer.

11. OPERATIONS; AGENT.

11.1. INTERESTS IN CREDITS. The percentage interest of each Lender in the Revolving Loan, the Letter of Credit Exposure and Mortgage Loan, and the related Commitments, shall be computed based on the maximum principal amount for each Lender as follows:

	Maximum Principal Amount of Revolving Loan	Percentage Interest of Revolving Loan and Letter of Credit Exposure	Principal of Mortgage Loan	Percentage Interest of Mortage Loan
Fleet National Bank	$37,500,000	50.00%	$3,000,000	100%
Sun Trust	$32,000,000	43.33%	$0	0%
UBS AG, Stamford Branch	$5,000,000	6.67%	$0	0%
Total	$75,000,000	100%	$3,000,000	100%

The foregoing percentage interests, as from time to time in effect and reflected in the Register, are referred to as the "PERCENTAGE INTERESTS" with respect to all or any portion of the Loans, and the related Commitments.

11.2. AGENT'S AUTHORITY TO ACT, ETC. Each of the Lenders appoints and authorizes the Agent to act for the Lenders as the Lenders' Agent in connection with the transactions contemplated by this Agreement and the other Credit Documents on the terms set forth herein. In acting hereunder, the Agent is acting for the account of the Agent to the extent of its Percentage Interest in each Loan and for the account of each other Lender to the extent of the Lenders' respective Percentage Interests, and all action in connection with the enforcement of, or the exercise of any remedies (other than the Lenders' rights of set-off as provided in Section 8.2.4 or in any Credit Document) in respect of the Credit Obligations and Credit Documents shall be taken by the Agent.

11.3. BORROWERS TO PAY AGENT, ETC. Each Obligor shall be fully protected in making all payments in respect of the Credit Obligations to the Agent, in relying upon consents, modifications and amendments executed by the Agent purportedly on the Lenders' behalf, and in dealing with the Agent as herein provided. The Agent may charge the accounts of the Borrowers, on the dates when the amounts thereof become due and payable, with the amounts of the principal of and interest on the Revolving Loan, any amounts paid by the Letter of Credit Issuers to third parties under Letters of Credit or drafts presented thereunder, principal and interest on the Mortgage Loan, commitment fees and all other fees and amounts owing under any Credit Document.

11.4. LENDER OPERATIONS FOR ADVANCES.

11.4.1. ADVANCES. On each Closing Date, each Lender shall advance to the Agent in immediately available funds such Lender's Percentage Interest in the portion of the Revolving Loan advanced on such Closing Date prior to 2:00 p.m. (Boston time). If such funds are not received at such time, but all applicable conditions set forth in Section 5 have been satisfied, each Lender authorizes and requests the Agent to advance for the Lender's account, pursuant to the terms hereof, the Lender's respective Percentage Interest in such portion of the Revolving Loan and agrees to reimburse the Agent in immediately available funds for the amount thereof prior to 3:00 p.m. (Boston time) on the day any portion of the Revolving Loan is advanced hereunder; PROVIDED, HOWEVER, that the Agent is not authorized to make any such advance for the account of any Lender who has previously notified the Agent in writing that such Lender will not be performing its obligations to make further advances hereunder; and PROVIDED, FURTHER, that the Agent shall be under no obligation to make any such advance.

11.4.2. LETTERS OF CREDIT. Each of the Lenders authorizes and requests each Letter of Credit Issuer to issue the Letters of Credit provided for in Section 2.2 and to grant each Lender a participation in each of such Letters of Credit in an amount equal to its Percentage Interest in the amount of each such Letter of Credit. Promptly upon the request of the Letter of Credit Issuer, each Lender shall reimburse the Letter of Credit Issuer in immediately available funds for such Lender's Percentage Interest in the amount of all obligations to third parties incurred by the Letter of Credit Issuer in respect of each Letter of Credit and each draft accepted under a Letter of Credit to the extent not reimbursed by the Borrower by 2:00 p.m. (Boston time) on the Banking Day when due. The Letter of Credit Issuer will notify each Lender of the issuance of any Letter of Credit, the amount and date of payment of any draft drawn or accepted under a Letter of Credit and whether in connection with the payment of any such draft the amount thereof was added to the Revolving Loan or was reimbursed by the Borrower.

11.4.3. AGENT TO ALLOCATE PAYMENTS, ETC. All payments of principal and interest in respect of the extensions of credit made pursuant to this Agreement, reimbursement of amounts paid by any Letter of Credit Issuer to third parties under Letters of Credit or drafts presented thereunder, commitment fees, Letter of Credit fees and other fees under this Agreement shall, as a matter of convenience, be made by the Borrowers and the Guarantors to the Agent in immediately available funds. The share of each Lender shall be credited to such Lender by the Agent in immediately available funds in such manner that the principal amount of the Credit Obligations to be paid shall be paid proportionately in accordance with the Lenders' respective Percentage Interests in such Credit Obligations, except as otherwise provided in this Agreement. Under no circumstances shall any Lender be required to produce or present its Revolving Notes as evidence of its interests in the Credit Obligations in any action or proceeding relating to the Credit Obligations.

11.4.4. DELINQUENT LENDERS; NONPERFORMING LENDERS. In the event that any Lender fails to reimburse the Agent pursuant to Section 11.4.1 for the Percentage Interest of such Lender (a "DELINQUENT LENDER") in any credit advanced by the Agent pursuant hereto, overdue amounts (the "DELINQUENT PAYMENT") due from the Delinquent Lender to the Agent shall bear interest, payable by the Delinquent Lender on demand, at a per annum rate equal to (a) the Federal Funds Rate for the first three days overdue and (b) the sum of 2% PLUS the Federal Funds Rate for any longer period. Such interest shall be payable to the Agent for its own account for the period commencing on the date of the Delinquent Payment and ending on the date the Delinquent Lender reimburses the Agent on account of the Delinquent Payment (to the extent not paid by the Company as provided below) and the accrued interest thereon (the "DELINQUENCY PERIOD"), whether pursuant to the assignments referred to below or otherwise. Upon notice by the Agent, the Borrowers will pay to the Agent the principal (but not the interest) portion of the Delinquent Payment. During the Delinquency Period, in order to make reimbursements for the Delinquent Payment and accrued interest thereon, the Delinquent Lender shall be deemed to have assigned to the Agent all interest, commitment fees and other payments made by the Borrowers under Section 3 that would have thereafter otherwise been payable under the Credit Documents to the Delinquent Lender. During any other period in which any Lender is not performing its obligations to extend credit under Section 2 (a "NONPERFORMING LENDER"), the Nonperforming Lender shall be deemed to have assigned to each Lender that is not a Nonperforming Lender (a "PERFORMING LENDER") all principal and other payments made by the Borrowers under Section 4 that would have thereafter otherwise been payable under the Credit Documents to the Non performing Lender. The Agent shall credit a portion of such payments to each Performing Lender in an amount equal to the Percentage Interest of such Performing Lender in an

amount equal to the Percentage Interest of such Performing Lender divided by one MINUS the Percentage Interest of the Nonperforming Lender until the respective portions of the Revolving Loan owed to all the Lenders are the same as the Percentage Interests of the Lenders immediately prior to the failure of the Nonperforming Lender to perform its obligations under Section 2. The foregoing provisions shall be in addition to any other remedies the Agent, the Performing Lenders or the Borrowers may have under law or equity against the Delinquent Lender as a result of the Delinquent Payment or against the Nonperforming Lender as a result of its failure to perform its obligations under Section 2.

11.5. SHARING OF PAYMENTS, ETC. Each Lender agrees that (a) if by exercising any right of set-off or counterclaim or otherwise, it shall receive payment of (i) a proportion of the aggregate amount due with respect to its Percentage Interest in the Revolving Loan and Letter of Credit Exposure which is greater than (ii) the proportion received by any other Lender in respect of the aggregate amount due with respect to such other Lender's Percentage Interest in the Revolving Loan and Letter of Credit Exposure and (b) if such inequality shall continue for more than 10 days, the Lender receiving such proportionately greater payment shall purchase participations in the Percentage Interests in the Revolving Loan and Letter of Credit Exposure held by the other Lenders, and such other adjustments shall be made from time to time (including rescission of such purchases of participations in the event the unequal payment originally received is recovered from such Lender through bankruptcy proceedings or otherwise), as may be required so that all such payments of principal and interest with respect to the Revolving Loan and Letter of Credit Exposure held by the Lenders shall be shared by the Lenders pro rata in accordance with their respective Percentage Interests in the Revolving Loan; PROVIDED, HOWEVER, that this Section 11.5 shall not impair the right of any Lender to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of Indebtedness of any Obligor other than such Obligor's Indebtedness with respect to the Revolving Loan and Letter of Credit Exposure. Each Lender that grants a participation in the Credit Obligations to a Credit Participant shall require as a condition to the granting of such participation that such Credit Participant agree to share payments received in respect of the Credit Obligations as provided in this Section 11.5. The provisions of this Section 11.5 are for the sole and exclusive benefit of the Lenders and no failure of any Lender to comply with the terms hereof shall be available to any Obligor as a defense to the payment of the Credit Obligations.

11.6. AMENDMENTS, CONSENTS, WAIVERS, ETC. Except as otherwise set forth herein, the Agent may (and upon the written request of the Required Lenders the Agent shall) take or refrain from taking any action under this Agreement or any other Credit Document, including giving its written consent to any modification of or amendment to and waiving in writing compliance with any covenant or condition in this Agreement or any other Credit Document or any Default or Event of Default, all of which actions shall be binding upon all of the Lenders; PROVIDED, HOWEVER, that:

(a) Without the written consent of Lenders owning at least two thirds of the Percentage Interests (other than Delinquent Lenders during the existence of a Delinquency Period so long as such Delinquent Lender is treated the same as the other Lenders with respect to any actions enumerated below), no written modification of, amendment to, consent with respect to, waiver of compliance with or waiver of a Default under any of the Credit Documents, or under Sections 6.5 through 6.16, the related defined terms or this Section 11.6 shall be made.

(b) Without the written consent of such Lenders as own 100% of the Percentage Interests in the Revolving Loan (other than Delinquent Lenders during the existence of a Delinquency Period

so long as such Delinquent Lender is treated the same as the other Lenders with respect to any actions enumerated below):

(c) Without the written consent of a Letter of Credit Issuer, no amendment of modification of any Credit Document shall affect the rights or duties of such Letter of Credit Issuer under the Credit Documents.

11.7. AGENT'S RESIGNATION. The Agent may resign at any time by giving at least 60 days' prior written notice of its intention to do so to each other of the Lenders and the Borrowers. In such event, SunTrust Bank shall be appointed successor Agent and shall accept such appointment within 45 days after the retiring Agent's giving of such notice of resignation. In connection with the appointment of a successor Agent, the Borrower's shall deliver to the Agent a processing and recordation fee of $3,000. Upon the appointment of a new Agent hereunder, the term "Agent" shall for all purposes of this Agreement thereafter mean such successor. After any retiring Agent's resignation hereunder as Agent, the provisions of this Agreement shall continue to inure to the benefit of such Agent as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

11.8. CONCERNING THE AGENT.

11.8.1. ACTION IN GOOD FAITH, ETC. The Agent and its officers, directors, employees and agents shall be under no liability to any of the Lenders or to any future holder of any interest in the Credit Obligations for any action or failure to act taken or suffered in good faith, and any action or failure to act in accordance with an opinion of its counsel shall conclusively be deemed to be in good faith. The Agent shall in all cases be entitled to rely, and shall be fully protected in relying, on instructions given to the Agent by the required holders of Credit Obligations as provided in this Agreement.

11.8.2. NO IMPLIED DUTIES, ETC. The Agent shall have and may exercise such powers as are specifically delegated to the Agent under this Agreement or any other Credit Document together with all other powers incidental thereto. The Agent shall have no implied duties to any Person or any obligation to take any action under this Agreement or any other Credit Document except for action specifically provided for in this Agreement or any other Credit Document to be taken by the Agent. Before taking any action under this Agreement or any other Credit Document, the Agent may request an appropriate specific indemnity satisfactory to it from each Lender in addition to the general indemnity provided for in Section 11.11. Until the Agent has received such specific indemnity, the Agent shall not be obligated to take (although it may in its sole discretion take) any such action under this Agreement or any other Credit Document. Each Lender confirms that the Agent does not have a fiduciary relationship to it under the Credit Documents. Each of the Obligors party hereto confirms that neither the Agent nor any other Lender has a fiduciary relationship to it under the Credit Documents.

11.8.3. VALIDITY, ETC. The Agent shall not be responsible to any Lender or any future holder of any interest in the Credit Obligations (a) for the legality, validity, enforceability or effectiveness of this Agreement or any other Credit Document, (b) for any recitals, reports, representations, warranties or statements contained in or made in connection with this Agreement or any other Credit Document, (c) for the existence or value of any assets included in any security for the Credit Obligations, or (d) for the effectiveness of any Lien purported to be included in any security for the Credit Obligations.

11.8.4. COMPLIANCE. The Agent shall not be obligated to ascertain or inquire as to the performance or observance of any of the terms of this Agreement or any other Credit Document; and in connection with any extension of credit under this Agreement or any other Credit Document, the Agent shall be fully protected in relying on a certificate of the Borrowers as to the fulfillment by the Borrowers of any conditions to such extension of credit.

11.8.5. EMPLOYMENT OF AGENTS AND COUNSEL. The Agent may execute any of its duties as Agent under this Agreement or any other Credit Document by or through employees, agents and attorneys-in-fact and shall not be responsible to any of the Lenders, any Borrower or any other Obligor for the default or misconduct of any such agents or attorneys-in-fact selected by the Agent acting in good faith. The Agent shall be entitled to advice of counsel concerning all matters pertaining to the agency hereby created and its duties hereunder or under any other Credit Document.

11.8.6. RELIANCE ON DOCUMENTS AND COUNSEL. The Agent shall be entitled to rely, and shall be fully protected in relying, upon any affidavit, certificate, cablegram, consent, instrument, letter, notice, order, document, statement, telecopy, telegram, telex or teletype message or writing reasonably believed in good faith by the Agent to be genuine and correct and to have been signed, sent or made by the Person in question, including any telephonic or oral statement made by such Person, and, with respect to legal matters, upon an opinion or the advice of counsel selected by the Agent.

11.8.7. AGENT'S REIMBURSEMENT. Each of the Lenders severally agrees to reimburse the Agent, in the amount of such Lender's Percentage Interest, for any reasonable expenses not reimbursed by the Borrowers or the Guarantors (without limiting the obligation of the Borrowers or the Guarantors to make such reimbursement): (a) for which the Agent is entitled to reimbursement by the Borrowers or the Guarantors under this Agreement or any other Credit Document, and (b) after the occurrence of a Default, for any other reasonable expenses incurred by the Agent on the Lenders' behalf in connection with the enforcement of the Lenders' rights under this Agreement or any other Credit Document.

11.9. RIGHTS AS A LENDER. With respect to any credit extended by it hereunder, the Agent shall have the same rights, obligations and powers hereunder as any other Lender and may exercise such rights and powers as though it were not the Agent, and unless the context otherwise specifies, the Agent shall be treated in its individual capacity as though it were not the Agent hereunder. Without limiting the generality of the foregoing, the Percentage Interest of the Agent shall be included in any computations of Percentage Interests. The Agent and its Affiliates may accept deposits from, lend money to, act as trustee for and generally engage in any kind of banking or trust business with any Borrower, any of their respective Subsidiaries or any Affiliate of any of them and any Person who may do business with or own an equity interest in any Borrower, any of their respective Subsidiaries or any Affiliate of any of them, all as if the Agent were not the Agent and without any duty to account therefor to the other Lenders.

11.10. INDEPENDENT CREDIT DECISION. Each of the Lenders acknowledges that it has independently and without reliance upon the Agent, based on the financial statements and other documents referred to in Section 7.2, on the other representations and warranties contained herein and on such other information with respect to the Obligors as such Lender deemed appropriate, made such Lender's own credit analysis and decision to enter into this Agreement and to make the extensions of credit provided for hereunder. Each Lender represents to the Agent that such Lender will continue to make its own independent credit and other

decisions in taking or not taking action under this Agreement or any other Credit Document. Each Lender expressly acknowledges that neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to such Lender, and no act by the Agent taken under this Agreement or any other Credit Document, including any review of the affairs of the Obligors, shall be deemed to constitute any representation or warranty by the Agent. Except for notices, reports and other documents expressly required to be furnished to each Lender by the Agent under this Agreement or any other Credit Document, the Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition, financial or otherwise, or creditworthiness of any Obligor which may come into the possession of the Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

11.11. INDEMNIFICATION. The holders of the Credit Obligations shall indemnify the Agent and its officers, directors, employees and agents (to the extent not reimbursed by the Obligors and without limiting the obligation of any of the Obligors to do so), pro rata in accordance with their respective Percentage Interests, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time be imposed on, incurred by or asserted against the Agent or such Persons relating to or arising out of this Agreement, any other Credit Document, the transactions contemplated hereby or thereby, or any action taken or omitted by the Agent in connection with any of the foregoing; PROVIDED, HOWEVER, that the foregoing shall not extend to actions or omissions which are taken by the Agent with gross negligence or willful misconduct.

12. SUCCESSORS AND ASSIGNS; LENDER ASSIGNMENTS AND PARTICIPATIONS. Any reference in this Agreement to any of the parties hereto shall be deemed to include the successors and assigns of such party, and all covenants and agreements by or on behalf of the Obligors, the Guarantors, the Agent or the Lenders that are contained in this Agreement or any other Credit Documents shall bind and inure to the benefit of their respective successors and assigns; provided, however, that (a) the Obligors may not assign their rights or obligations under this Agreement except for mergers or liquidations permitted by Section 6.12, and (b) the Lenders shall be not entitled to assign their respective Percentage Interests in the Revolving Loan hereunder except as set forth below in this Section 12.

12.1. ASSIGNMENTS BY LENDERS.

12.1.1. ASSIGNEES AND ASSIGNMENT PROCEDURES. Each Lender may (a) without the consent of the Agent or the Company if the proposed assignee is already a Lender hereunder or a Wholly Owned Subsidiary of the same corporate parent of which the assigning Lender is a Related Entity, or (b) otherwise with the consents of the Agent and (so long as no Event of Default has occurred and is continuing) the Company (which consents will not be unreasonably withheld), in compliance with applicable laws in connection with such assignment, assign to one or more commercial banks or other financial institutions (each, an "ASSIGNEE") all or a portion of its interests, rights and obligations under this Agreement and the other Credit Documents, including all or a portion, which need not be pro rata between the Revolving Loan, the Letter of Credit Exposure and the Mortgage Loan, of its Commitment, the portion of the Revolving Loan, the Letter of Credit Exposure and Mortgage Loan at the time owing to it and the Revolving Notes held by it but excluding its rights and obligations as a Letter of Credit Issuer; provided, however, that:

12.1.2. TERMS OF ASSIGNMENT AND ACCEPTANCE. By executing and delivering an Assignment and Acceptance, the assigning Lender and Assignee shall be deemed to confirm to and agree with each other and the other parties hereto as follows:

(a) other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any other Credit Document or any other instrument or document furnished pursuant hereto;

(b) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Obligors or the performance or observance by any Obligor of any of its obligations under this Agreement, any other Credit Document or any other instrument or document furnished pursuant hereto;

(c) such Assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements delivered pursuant to Section 7.2 or Section 6.4 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance;

(d) such Assignee will independently and without reliance upon the Agent, such assigning Lender or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement;

(e) such Assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and

(f) such Assignee agrees that it will perform in accordance with the terms of this Agreement all the obligations which are required to be performed by it as a Lender.

12.1.3. REGISTER. The Agent shall maintain at the Boston Office a register (the "REGISTER") for the recordation of (a) the names and addresses of the Lenders and the Assignees which assume rights and obligations pursuant to an assignment under Section 12.1.1, (b) the Percentage Interest of each such Lender as set forth in Section 11.1 and (c) the amount of the Revolving Loan, the Letter of Credit Exposure and Mortgage Loan owing to each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrowers, the Agent and the Lenders may treat each Person whose name is registered therein for all purposes as a party to this Agreement. The Register shall be available for inspection by any Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

12.1.4. ACCEPTANCE OF ASSIGNMENT AND ASSUMPTION. Upon its receipt of a completed Assignment and Acceptance executed by an assigning Lender and an Assignee together with the Revolving Notes subject to such assignment, and the processing and recordation fee referred to in Section 12.1.1, the Agent shall (a) accept such Assignment and Acceptance, (b) record the information contained therein in the Register and (c) give prompt notice thereof to the Borrower. Within five Banking Days after receipt of notice, the Borrowers, at their own expense, shall execute and deliver to the Agent, in exchange for the surrendered Revolving Notes, new Revolving Notes to the order of such Assignee in a principal amount equal to the applicable Commitment and Revolving Loan assumed by it pursuant to such Assignment and Acceptance and, if the assigning Lender has

retained a Commitment and Revolving Loan, new Revolving Notes to the order of such assigning Lender in a principal amount equal to the applicable Commitment and Revolving Loan retained by it. Such new Revolving Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Revolving Notes, respectively, and shall be dated the date of the surrendered Revolving Notes which they replaces.

12.1.5. FEDERAL RESERVE BANK. Notwithstanding the foregoing provisions of this Section 12, any Lender may at any time pledge or assign all or any portion of such Lender's rights under this Agreement and the other Credit Documents to a Federal Reserve Bank; PROVIDED, HOWEVER, that no such pledge or assignment shall release such Lender from such Lender's obligations hereunder or under any other Credit Document.

12.1.6. FURTHER ASSURANCES. The Obligors shall sign such documents and take such other actions from time to time reasonably requested by an Assignee to enable it to share in the benefits of the rights created by the Credit Documents.

12.2. CREDIT PARTICIPANTS. Each Lender may, without the consent of the Borrowers or the Agent, in compliance with applicable laws in connection with such participation, sell to one or more commercial banks or other financial institutions (each a "CREDIT PARTICIPANT") participations in all or a portion of its interests, rights and obligations under this Agreement and the other Credit Documents (including all or a portion of its Commitment, the Revolving Loan, the Letter of Credit Exposure and the Revolving Note held by it); PROVIDED, HOWEVER, that:

(a) such Lender's obligations under this Agreement shall remain unchanged;

(b) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations;

(c) the Credit Participant shall be entitled to the benefit of the cost protection provisions contained in Sections 3.2.4, 3.6, 3.7, 3.8, 3.9 and 10, but shall not be entitled to receive any greater payment thereunder than the selling Lender would have been entitled to receive with respect to the interest so sold if such interest had not been sold; and

(d) the Borrowers, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, and such Lender shall retain the sole right as one of the Lenders to vote with respect to the enforcement of the obligations of the Borrowers relating to the Revolving Loan, the Letter of Credit Exposure and the approval of any amendment, modification or waiver of any provision of this Agreement (other than amendments, modifications, consents or waivers described in clause (b) of the proviso to Section 11.6).

Each Obligor agrees, to the fullest extent permitted by applicable law, that any Credit Participant and any Lender purchasing a participation from another Lender pursuant to Section 11.5 may exercise all rights of payment (including the right of set-off), with respect to its participation as fully as if such Credit Participant or such Lender were the direct creditor of the Obligors and a Lender hereunder in the amount of such participation.

12.3. REPLACEMENT OF LENDER. In the event that any Lender or, to the extent applicable, any Credit Participant (the "AFFECTED LENDER"):

(a) fails to perform its obligations to fund any portion of the Revolving Loan or to issue any Letter of Credit on any Closing Date when required to do so by the terms of the Credit Documents, or fails to provide its portion of any Eurodollar Pricing Option pursuant to Section 3.2.1 or on account of a Legal Requirement as contemplated by Section 3.2.5;

(b) demands payment under the Reserve provisions of Section 3.5, the Tax provisions of Section 3.6, the capital adequacy provisions of Section 3.7 or the regulatory change provisions in Section 3.8 in an amount the Company deems materially in excess of the amounts with respect thereto demanded by the other Lenders; or

(c) refuses to consent to a proposed amendment, modification, waiver or other action requiring consent of the holders of 100% of the Percentage Interests under Section 11.6(b) that is consented to by the other Lenders;

then, so long as no Event of Default exists and is continuing, the Borrowers shall have the right to seek a replacement lender which is reasonably satisfactory to the Agent (the "REPLACEMENT LENDER"). The Replacement Lender shall purchase the interests of the Affected Lender in the Revolving Loan, Letters of Credit and its Commitment and shall assume the obligations of the Affected Lender hereunder and under the other Credit Documents upon execution by the Replacement Lender of an Assignment and Acceptance and the tender by it to the Affected Lender of a purchase price agreed between it and the Affected Lender (or, if they are unable to agree, a purchase price in the amount of the Affected Lenders' Percentage Interest in the Revolving Loan plus the amount of all other outstanding Credit Obligations including all accrued and unpaid Credit Obligations then owed to the Affected Lender). Such assignment by the Affected Lender shall be deemed an early termination of any Eurodollar Pricing Option to the extent of the Affected Lender's portion thereof, and the Borrowers will pay to the Affected Lender any resulting amounts due under Section 3.2.4. Upon consummation of such assignment, the Replacement Lender shall become party to this Agreement as a signatory hereto and shall have all the rights and obligations of the Affected Lender under this Agreement and the other Credit Documents with a Percentage Interest equal to the Percentage Interest of the Affected Lender, the Affected Lender shall be released from its obligations hereunder and under the other Credit Documents, and no further consent or action by any party shall be required. Upon the consummation of such assignment, the Borrowers, the Agent and the Affected Lender shall make appropriate arrangements so that a new Revolving Note is issued to the Replacement Lender if it has acquired a portion of the Revolving Loan. The Borrowers and the Guarantors shall sign such documents and take such other actions reasonably requested by the Replacement Lender to enable it to share in the benefits of the rights created by the Credit Documents. Until the consummation of an assignment in accordance with the foregoing provisions of this Section 12.3, the Borrowers shall continue to pay to the Affected Lender any Credit Obligations as they become due and payable.

13. NOTICES. Except as otherwise specified in this Agreement, any notice required to be given pursuant to this Agreement shall be given in writing. Any notice, consent, approval, demand or other communication in connection with this Agreement shall be deemed to be given if given in writing (including telex, telecopy or similar teletransmission) addressed as provided below (or to the addressee at such other address as the addressee shall have specified by notice actually received by the addressor), and if either (a) actually delivered in fully legible form to such address (evidenced in the case of a telex by receipt of the correct answerback) or (b) in the case of a letter, unless actual receipt of the notice is required by any Credit

Document five days shall have elapsed after the same shall have been deposited in the United States mails, with first-class postage prepaid and registered or certified.

If to any of the Borrowers or any of their respective Subsidiaries, to them at their address set forth in Exhibit 7.1 (as supplemented pursuant to Sections 6.4.1 and 6.4.2), to the attention of the chief financial officer.

If to any Lender or the Agent, to it at its address set forth on the signature pages of this Agreement or in the Register, with a copy to the Agent.

14. COURSE OF DEALING; AMENDMENTS AND WAIVERS. No course of dealing between any Lender or the Agent, on one hand, and the Borrowers or any other Obligor, on the other hand, shall operate as a waiver of any of the Lenders' or the Agent's rights under this Agreement or any other Credit Document or with respect to the Credit Obligations. Each of the Borrowers and the Guarantors acknowledges that if the Lenders or the Agent, without being required to do so by this Agreement or any other Credit Document, give any notice or information to, or obtain any consent from, any Borrower or any other Obligor, the Lenders and the Agent shall not by implication have amended, waived or modified any provision of this Agreement or any other Credit Document, or created any duty to give any such notice or information or to obtain any such consent on any future occasion. No delay or omission on the part of any Lender of the Agent in exercising any right under this Agreement or any other Credit Document or with respect to the Credit Obligations shall operate as a waiver of such right or any other right hereunder or thereunder. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. No waiver, consent or amendment with respect to this Agreement or any other Credit Document shall be binding unless it is in writing and signed by the Agent or the Required Lenders.

15. DEFEASANCE. When all Credit Obligations have been paid, performed and reasonably determined by the Lenders to have been indefeasibly discharged in full, and if at the time no Lender continues to be committed to extend any credit to the Borrowers hereunder or under any other Credit Document, this Agreement shall terminate and, at the Borrowers' written request, accompanied by such certificates and other items as the Agent shall reasonably deem necessary, the Credit Security shall revert to the Obligors and the right, title and interest of the Lenders therein shall terminate. Thereupon, on the Obligor's demand and at their cost and expense, the Agent shall execute proper instruments, acknowledging satisfaction of and discharging this Agreement, and shall redeliver to the Obligors any Credit Security then in its possession; provided, however, that Sections 3.2.4, 3.5, 3.6, 3.7, 3.8, 10 and 11.8.7 shall survive the termination of this Agreement.

16. VENUE; SERVICE OF PROCESS. Each of the Borrowers and the other Obligors:

(a) Irrevocably submits to the nonexclusive jurisdiction of the state courts of The Commonwealth of Massachusetts and to the nonexclusive jurisdiction of the United States District Court for the District of Massachusetts for the purpose of any suit, action or other proceeding arising out of or based upon this Agreement or any other Credit Document or the subject matter hereof or thereof.

(b) Waives to the extent not prohibited by applicable law that cannot be waived, and agrees not to assert, by way of motion, as a defense or otherwise, in any such proceeding brought in any of the above-named courts, any claim that it is not subject personally to the jurisdiction of such court, that its property is exempt or immune from attachment or execution, that such proceeding is

brought in an inconvenient forum, that the venue of such proceeding is improper, or that this Agreement or any other Credit Document, or the subject matter hereof or thereof, may not be enforced in or by such court.

Each of the Borrowers and the other Obligors consents to service of process in any such proceeding in any manner at the time permitted by Chapter 223A of the General Laws of The Commonwealth of Massachusetts and agrees that service of process by registered or certified mail, return receipt requested, at its address specified in or pursuant to Section 16 is reasonably calculated to give actual notice.

17. WAIVER OF JURY TRIAL. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW THAT CANNOT BE WAIVED, EACH OF THE BORROWERS, THE OTHER OBLIGORS, THE AGENT AND THE LENDERS WAIVES, AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE), ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE, CLAIM OR PROCEEDING ARISING OUT OF THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT OR THE SUBJECT MATTER HEREOF OR THEREOF OR ANY CREDIT OBLIGATION OR IN ANY WAY CONNECTED WITH THE DEALINGS OF THE LENDERS, THE AGENT, THE BORROWERS OR ANY OTHER OBLIGOR IN CONNECTION WITH ANY OF THE ABOVE, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING AND WHETHER IN CONTRACT, TORT OR OTHERWISE. Each of the Borrowers and the other Obligors acknowledges that it has been informed by the Agent that the provisions of this Section 17 constitute a material inducement upon which each of the Lenders has relied and will rely in entering into this Agreement and any other Credit Document, and that it has reviewed the provisions of this Section 17 with its counsel. Any Lender, the Agent, any Borrower or any other Obligor may file an original counterpart or a copy of this Section 17 with any court as written evidence of the consent of the Borrowers, the other Obligors, the Agent and the Lenders to the waiver of their rights to trial by jury.

18. GENERAL. All covenants, agreements, representations and warranties made in this Agreement or any other Credit Document or in certificates delivered pursuant hereto or thereto shall be deemed to have been relied on by each Lender, notwithstanding any investigation made by any Lender on its behalf, and shall survive the execution and delivery to the Lenders hereof and thereof. The invalidity or unenforceability of any provision hereof shall not affect the validity or enforceability of any other provision hereof. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. This Agreement and the other Credit Documents (including any related fee agreements with the Agent or the Lenders) constitute the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior and contemporaneous understandings and agreements, whether written or oral. This Agreement may be executed in any number of counterparts which together shall constitute one instrument. This Agreement shall be governed by and construed in accordance with the laws (other than the conflict of laws rules) of The Commonwealth of Massachusetts.

Each of the undersigned has caused this Agreement to be executed and delivered by its duly authorized officer as an agreement under seal as of the date first above written.

PEDIATRIX MEDICAL GROUP, INC. (FL)

By: /s/ Karl B. Wagner

Title: Chief Financial Officer

PEDIATRIX MEDICAL GROUP OF FLORIDA, INC.

By: /s/ Karl B. Wagner

Title: Treasurer

PEDIATRIX MEDICAL GROUP, P.C. (WV)

By: /s/ Karl B. Wagner

Title: Treasurer

PEDIATRIX MEDICAL GROUP, P.C. (VA)

By: /s/ Karl B. Wagner

Title: Treasurer

PEDIATRIX MEDICAL GROUP, S.P. (PR)

By: /s/ Karl B. Wagner

Title: Attorney-in-Fact

PEDIATRIX MEDICAL GROUP, P.A. (NJ)

By: /s/ Karl B. Wagner

Title: Treasurer

PEDIATRIX MEDICAL GROUP OF KANSAS, P.A.

By: /s/ Karl B. Wagner

Title: Attorney-in-Fact

PEDIATRIX MEDICAL GROUP NEONATOLOGY
AND PEDIATRIC INTENSIVE CARE SPECIALISTS
OF NEW YORK, P.C.

By: /s/ Karl B. Wagner

Title: Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF
CALIFORNIA, P.C.

By: /s/ Karl B. Wagner

Title: Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF ILLINOIS, P.C.

By: /s/ Karl B. Wagner

Title: Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF MICHIGAN, P.C.

By: /s/ Karl B. Wagner

Title: Treasurer

PEDIATRIX MEDICAL GROUP OF
PENNSYLVANIA, P.C.

By: /s/ Karl B. Wagner

Title: Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF TEXAS, P.A.

By: /s/ Karl B. Wagner

Title: Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF OHIO, CORP.

By: /s/ Karl B. Wagner

Title: Secretary

NEONATAL SPECIALISTS, LTD. (AZ)

By: /s/ Karl B. Wagner

Title: Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF
COLORADO, P.C.

By: /s/ Karl B. Wagner

Title: Attorney-in-Fact

ST. JOSEPH NEONATOLOGY
CONSULTANTS, P.A.

By: /s/ Karl B. Wagner

Title: Attorney-in-Fact

PERNOLL MEDICAL GROUP OF NEVADA, LTD.
D/B/A PEDIATRIX MEDICAL GROUP OF NEVADA

By: /s/ Karl B. Wagner

Title: Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF
SOUTH CAROLINA, P.A.

By: /s/ Karl B. Wagner

Title: Treasurer

FLORIDA REGIONAL NEONATAL
ASSOCIATES, P.A.

By: /s/ Karl B. Wagner

Title: Treasurer

PEDIATRIX MEDICAL GROUP, INC.
(Utah)

By: /s/ Karl B. Wagner

Title: Treasurer

PEDIATRIX MEDICAL GROUP OF NEW
MEXICO, P.C.

By: /s/ Karl B. Wagner

Title: Treasurer

PEDIATRIX MEDICAL GROUP OF
WASHINGTON, INC., P.C.

By: /s/ Karl B. Wagner

Title: Treasurer

PEDIATRIX MEDICAL GROUP OF
INDIANA, P.C.

By: /s/ Karl B. Wagner

Title: Attorney-in-Fact

FORT WORTH NEONATAL ASSOCIATES, P.A.

By: /s/ Karl B. Wagner

Title: Attorney-in-Fact

PMG ACQUISITION CORP.

By: /s/ Karl B. Wagner

Title: Treasurer

PEDIATRIX MEDICAL GROUP OF
PUERTO RICO, P.S.C.

By: /s/ Karl B. Wagner

Title: Attorney-in-Fact

OBSTETRIX MEDICAL GROUP, INC.

By: /s/ Karl B. Wagner

Title: Treasurer

OBSTETRIX MEDICAL GROUP
OF FLORIDA, INC.

By: /s/ Karl B. Wagner

Title: Treasurer

M. DOUGLAS CUNNINGHAM, M.D.,
A PROFESSIONAL CORPORATION
D/B/A OBSTETRIX MEDICAL GROUP
OF CALIFORNIA, A PROFESSIONAL
CORPORATION

By: /s/ Karl B. Wagner

Title: Attorney-in-Fact

MARCIA J. PERNOLL, M.D. PROF. CORP.
D/B/A OBSTETRIX MEDICAL GROUP
OF NEVADA, LTD.

By: /s/ Karl B. Wagner

Title: Attorney-in-Fact

OBSTETRIX MEDICAL GROUP OF ARIZONA, P.C.

By: /s/ Karl B. Wagner

Title: Treasurer

OBSTETRIX MEDICAL GROUP
OF COLORADO, P.C.

By: /s/ Karl B. Wagner

Title: Attorney-in-Fact

OBSTETRIX MEDICAL GROUP
OF KANSAS AND MISSOURI, P.A.

By: /s/ Karl B. Wagner

Title: Attorney-in-Fact

OBSTETRIX MEDICAL GROUP
OF PENNSYLVANIA, P.C.

By: /s/ Karl B. Wagner

Title: Treasurer

OBSTETRIX MEDICAL GROUP
OF PHOENIX, P.C.

By: /s/ Karl B. Wagner

Title: Treasurer

OBSTETRIX MEDICAL GROUP OF TEXAS, P.A.

By: /s/ Karl B. Wagner

Title: Attorney-in-Fact

OBSTETRIX MEDICAL GROUP
OF WASHINGTON, INC., P.S.

By: /s/ Karl B. Wagner

Title: Treasurer

PALM BEACH NEO ACQUISITIONS, INC.

By: /s/ Karl B. Wagner

Title: Treasurer

PEDIATRIX MEDICAL GROUP
OF ARKANSAS, P.A.

By: /s/ Karl B. Wagner

Title: Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF GEORGIA, P.C.

By: /s/ Karl B. Wagner

Title: Secretary

PEDIATRIX MEDICAL GROUP OF MISSOURI, P.C.

By: /s/ Karl B. Wagner

Title: Attorney-in-Fact

PEDIATRIX MEDICAL GROUP
OF OKLAHOMA, P.C.

By: /s/ Karl B. Wagner

Title: Attorney-in-Fact

PEDIATRIX MEDICAL GROUP
OF TENNESSEE, P.C.

By: /s/ Karl B. Wagner

Title: Treasurer

PEDIATRIX OF MARYLAND, P.A.

By: /s/ Karl B. Wagner

Title: Attorney-in-Fact

FLEET NATIONAL BANK

By: /s/ Carol Paige Castle

Carol Paige Castle
Director
Fleet National Bank
100 Federal Street
Mail Stop: MADE 10008E
Boston, Massachusetts 02110
Telecopy: (617) 434-2472

SUNTRUST BANK

By: /s/ W. David Wisdom

Name: W. David Wisdom
Title: Vice President
Suntrust Bank
Health Care Finance Group
Mail Code: O-1101
200 S. Orange Avenue
Orlando, Florida 32801
Telecopy: (407) 237-5489

UBS AG, Stamford Branch

By: /s/ Daniel W. Ladd III

Name: Daniel W. Ladd III
Title: Executive Director

By: /s/ Wilfred V. Saint

Name: Wilfred V. Saint
Title: Associate Director
Attn: Lynne Alfarone

UBS AG, Stamford Branch
677 Washington Boulevard 6th Floor
Stamford, CT 06901
Telephone: (203) 719-4308
Telecopy: (203) 719-3888

EXHIBIT 10.17

PEDIATRIX MEDICAL GROUP

SECURITY AGREEMENT

Dated as of November 1, 2000

FLEET NATIONAL BANK, as Agent

TABLE OF CONTENTS

SECURITY AGREEMENT

This Agreement, dated as of November 1, 2000, is among Pediatrix Medical Group, Inc., a Florida corporation (the "COMPANY"), the Related Entities of the Company from time to time party hereto and Fleet National Bank, as agent (the "AGENT") for itself and the other Lenders under the Credit Agreement (as defined below). The parties agree as follows:

1. REFERENCE TO CREDIT AGREEMENT; DEFINITIONS; CERTAIN RULES OF CONSTRUCTION. REFERENCE IS MADE TO THE AMENDED AND RESTATED CREDIT AGREEMENT AMENDED AND RESTATED AS OF THE DATE HEREOF, AS FROM TIME TO TIME IN EFFECT (THE "CREDIT AGREEMENT"), AMONG THE COMPANY, THE RELATED ENTITIES OF THE COMPANY FROM TIME TO TIME PARTY THERETO, THE LENDERS AND THE AGENT. CAPITALIZED TERMS DEFINED IN THE CREDIT AGREEMENT AND NOT OTHERWISE DEFINED HEREIN ARE USED HEREIN WITH THE MEANINGS SO DEFINED. CERTAIN OTHER CAPITALIZED TERMS ARE USED IN THIS AGREEMENT AS SPECIFICALLY DEFINED BELOW IN THIS SECTION 1. EXCEPT AS THE CONTEXT OTHERWISE EXPLICITLY REQUIRES, (A) THE CAPITALIZED TERM "SECTION" REFERS TO SECTIONS OF THIS AGREEMENT, (B) THE CAPITALIZED TERM "EXHIBIT" REFERS TO EXHIBITS TO THIS AGREEMENT, (C) REFERENCES TO A PARTICULAR SECTION SHALL INCLUDE ALL SUBSECTIONS THEREOF, (D) THE WORD "INCLUDING" SHALL BE CONSTRUED AS "INCLUDING WITHOUT LIMITATION", (E) TERMS DEFINED IN THE UCC AND NOT OTHERWISE DEFINED HEREIN HAVE THE MEANING PROVIDED UNDER THE UCC; PROVIDED, HOWEVER, THAT TERMS CONTAINED IN SECTION 2.1.13 AND DEFINED IN REVISED ARTICLE 9 SHALL BE USED IN SUCH SECTION WITH THE MEANINGS SO DEFINED, (F) REFERENCES TO A PARTICULAR STATUTE OR REGULATION INCLUDE ALL RULES AND REGULATIONS THEREUNDER AND ANY SUCCESSOR STATUTE, REGULATION OR RULES, IN EACH CASE AS FROM TIME TO TIME IN EFFECT AND (G) REFERENCES TO A PARTICULAR PERSON INCLUDE SUCH PERSON'S SUCCESSORS AND ASSIGNS TO THE EXTENT NOT PROHIBITED BY THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS. REFERENCES TO "THE DATE HEREOF" MEAN THE DATE FIRST SET FORTH ABOVE.

"ACCOUNTS" is defined in Section 2.1.2.

"AGREEMENT" means this Security Agreement as from time to time in effect.

"INTELLECTUAL PROPERTY" is defined in Section 2.3.8.

"OBLIGORS" is defined in Section 2.1.

"PLEDGED INDEBTEDNESS" is defined in Section 2.1.6.

"PLEDGED RIGHTS" is defined in Section 2.1.5.

"PLEDGED SECURITIES" means the Pledged Stock, the Pledged Rights and the Pledged Indebtedness, collectively.

"PLEDGED STOCK" is defined in Section 2.1.4.

"REVISED ARTICLE 9" means revised Article 9 of the Uniform Commercial Code in the form approved by the American Law Institute and the National Conference of Commissions on Uniform State Law as contained in the 1999 Official Text of the Uniform Commercial Code.

"UCC" means the Uniform Commercial Code as in effect in Massachusetts on the date hereof; PROVIDED, HOWEVER, that with respect to the perfection of the Agent's Lien on the Credit Security and the effect of nonperfection thereof, the term "UCC" means the Uniform Commercial Code as in effect in any jurisdiction the laws of which are made applicable by section 9-103 of the Uniform Commercial Code as in effect in Massachusetts.

2. SECURITY.

2.1. CREDIT SECURITY. As security for the payment and performance of the Credit Obligations, each of the Company and the Related Entities of the Company party hereto (each an "Obligor", and collectively, the "Obligors") mortgages, pledges and collaterally grants and assigns to the Agent for the benefit of the Lenders and the holders from time to time of any Credit Obligation, and creates a security interest in favor of the Agent for the benefit of the Lenders and such holders in, all of such Obligor's right, title and interest in and to (but none of its obligations or liabilities with respect to) the items and types of present and future property described in Sections 2.1.1 through 2.1.15 (subject, however, to Section 2.1.16), whether now owned or hereafter acquired, all of which shall be included in the term "CREDIT SECURITY":

2.1.1. TANGIBLE PERSONAL PROPERTY. All goods, machinery, equipment, inventory and all other tangible personal property of any nature whatsoever, wherever located, including raw materials, work in process, finished parts and products, supplies, spare parts, replacement parts, merchandise for resale, computers, tapes, disks and computer equipment.

2.1.2. RIGHTS TO PAYMENT OF MONEY. All rights to receive the payment of money, including accounts and receivables, rights to receive the payment of money under contracts, franchises, licenses, permits, subscriptions or other agreements (whether or not earned by performance), and rights to receive payments from any other source (all such rights, other than Financing Debt, being referred to herein as "ACCOUNTS").

2.1.3. INTANGIBLES. All of the following (to the extent not included in Section 3.1.2): (a) contracts, franchises, licenses, permits, subscriptions and other agreements and all rights thereunder; (b) rights granted by others which permit such Obligor to sell or market items of personal property; (c) United States and foreign common law and

statutory copyrights and rights in literary property and rights and licenses thereunder; (d) trade names, United States and foreign trademarks, service marks, internet domain names, registrations of any of the foregoing and related good will; (e) United States and foreign patents and patent applications; (f) computer software, designs, models, know-how, trade secrets, rights in proprietary information, formulas, customer lists, backlog, orders, subscriptions, royalties, catalogues, sales material, documents, good will, inventions and processes; (g) judgments, causes in action and other claims, whether or not inchoate, and (h) all other general intangibles and intangible property and all rights thereunder, including such items set forth from time to time on exhibit 7.3 to the Credit Agreement or any supplements thereto provided pursuant to sections 6.4.1 or 6.4.2 thereof.

2.1.4. PLEDGED STOCK. (a) All shares of capital stock or other evidence of beneficial interest in any corporation, business trust or limited liability company, (b) all limited partnership interests in any limited partnership, (c) all general partnership interests in any general or limited partnership, (d) all joint venture interests in any joint venture and (e) all options, warrants and similar rights to acquire such capital stock or such interests. All such capital stock, interests, options, warrants and other rights are collectively referred to as the "PLEDGED STOCK".

2.1.5. PLEDGED RIGHTS. All rights to receive profits or surplus of, or other Distributions (including income, return of capital and liquidating distributions) from, any partnership, joint venture or limited liability company, including any distributions by any such Person to partners, joint venturers or members. All such rights are collectively referred to as the "PLEDGED RIGHTS".

2.1.6. PLEDGED INDEBTEDNESS. All Financing Debt from time to time owing to such Obligor from any Person (all such Financing Debt being referred to as the "PLEDGED INDEBTEDNESS").

2.1.7. CHATTEL PAPER, INSTRUMENTS, ETC. All chattel paper, non-negotiable instruments, negotiable instruments, documents and investment property.

2.1.8. LEASES. All leases of personal property, whether such Obligor is the lessor or the lessee thereunder.

2.1.9. DEPOSIT ACCOUNTS. All general or special deposit accounts, including any demand, time, savings, passbook or similar account maintained by such Obligor with any

bank, trust company, savings and loan association, credit union or similar organization, and all money, cash and cash equivalents of such Obligor, whether or not deposited in any such deposit account.

2.1.10. COLLATERAL. All collateral granted by third parties to, or held by, such Obligor with respect to the Accounts, Pledged Securities, chattel paper, instruments, leases and other items of Credit Security.

2.1.11. BOOKS AND RECORDS. All books and records, including books of account and ledgers of every kind and nature, all electronically recorded data (including all computer programs, disks, tapes, electronic data processing media and software used in connection with maintaining such Obligor's books and records), all files, correspondence and all containers for the foregoing.

2.1.12. INSURANCE. All insurance policies which insure against any loss or damage to any other Credit Security or which are otherwise owned by such Obligor.

REVISED ARTICLE 9 ITEMS. The following categories of assets as defined in Revised Article 9 (whether or not also included in the other provisions of this Section 2.1): goods (including inventory, equipment and any accessions thereto), instruments (including promissory notes), documents, accounts (including health care receivables), chattel paper (whether tangible or electronic), deposit accounts, letter of credit rights (whether or not the letter of credit is evidenced by a writing), commercial tort claims, securities and all other investment property, general intangibles (including payment intangibles and software) and supporting obligations.

2.1.13. ALL OTHER PROPERTY. All other property, assets and items of value of every kind and nature, tangible or intangible, absolute or contingent, legal or equitable.

2.1.14. PROCEEDS AND PRODUCTS. All proceeds, including insurance proceeds, and products of the items of Credit Security described or referred to in Sections 2.1.1 through 2.1.14 and, to the extent not included in the foregoing, all Distributions with respect to the Pledged Securities.

2.1.15. EXCLUDED PROPERTY. Notwithstanding Sections 2.1.1 through 2.1.15, the payment and performance of the Credit Obligations shall not be secured by:

(a) any contract, license, permit or franchise that validly prohibits the creation by such Obligor of a security interest in such contract, license, permit or franchise (or in any rights or property obtained by such Obligor under such contract, license, permit or franchise); PROVIDED, HOWEVER, that the provisions of this Section 2.1.16 shall not prohibit the security interests created by this Agreement from extending to the proceeds of such contract, license, permit or franchise (or such rights or property) or to the monetary value of the good will and other general intangibles of the Obligors relating thereto;

(b) any rights or property to the extent that any valid and enforceable law or regulation applicable to such rights or property prohibits the creation of a security interest therein; PROVIDED, HOWEVER, that the provisions of this Section 2.1.16 shall not prohibit the security interests created by this Agreement from extending to the proceeds of such rights or property or to the monetary value of the good will and other general intangibles of the Obligors relating thereto;

(c) more than 66% of the outstanding voting stock or other voting equity in any Foreign Subsidiary to the extent that the pledge of voting stock or other voting equity above such amount would result in a repatriation of a material amount of foreign earnings under the Code (including the "deemed dividend" provisions of section 956 of the Code); or

(d) the items described in Section 2.2 (but only in the event and to the extent the Agent has not specified that such items be included in the Credit Security pursuant thereto).

In addition, in the event any Obligor disposes of assets to third parties in a transaction permitted by section 6.12 of the Credit Agreement, such assets, but not the proceeds or products thereof, shall be released from the Lien of the Credit Security.

2.2. ADDITIONAL CREDIT SECURITY. As additional Credit Security, each Obligor covenants that it will mortgage, pledge and collaterally grant and assign to the Agent for the benefit of the Lenders and the holders from time to time of any Credit Obligation, and will create a security interest in favor of the Agent for the benefit of the Lenders and such holders in, all of its right, title and interest in and to (but none of its obligations with respect to) such of the following present or future items as the Agent may from time to time specify by notice to such Obligor, whether now owned or hereafter acquired, and the proceeds and products thereof, except to the extent consisting of rights or property of the types referred to in Section 2.1.16(a) through (c), subject only to Liens permitted by Section 2.3.3, all of which shall thereupon be included in the term "CREDIT SECURITY":

2.2.1. REAL PROPERTY. All real property and immovable property and fixtures, leasehold interests and easements wherever located, together with all estates and interests of such Obligor therein, including lands, buildings, stores, manufacturing facilities and other structures erected on such property, fixed plant, fixed equipment and all permits, rights, licenses, benefits and other interests of any kind or nature whatsoever in respect of such real and immovable property.

2.2.2. MOTOR VEHICLES AND AIRCRAFT. All motor vehicles and aircraft.

2.3. CERTAIN COVENANTS WITH RESPECT TO CREDIT SECURITY. Each Obligor covenants that:

2.3.1. PLEDGED STOCK. All shares of capital stock, limited partnership interests, membership interests and similar securities included in the Pledged Stock shall be at all times duly authorized, validly issued, fully paid and (in the case of capital stock and limited partnership interests) nonassessable. Each Obligor will deliver to the Agent certificates representing any Pledged Stock held by such Obligor, accompanied by a stock transfer power executed in blank and, if the Agent so requests, with the signature guaranteed, all in form and manner reasonably satisfactory to the Agent. Pledged Stock that is not evidenced by a certificate held by such Obligor will be described in appropriate control statements and UCC financing statements provided to the Agent, all in form and substance reasonably satisfactory to the Agent. Upon the occurrence and during the continuance of an Event of Default, the Agent may transfer into its name or the name of its nominee any Pledged Stock. In the event the Pledged Stock includes any Margin Stock, the Obligors will furnish to the Lenders Federal Reserve Form U-1 and take such other action as the Agent may reasonably request to ensure compliance with applicable laws.

2.3.2. ACCOUNTS AND PLEDGED INDEBTEDNESS. Each Obligor will, immediately upon the receipt thereof, deliver to the Agent any promissory note or similar instrument representing any Account or Pledged Indebtedness, after having endorsed such promissory note or instrument in blank.

2.3.3. NO LIENS OR RESTRICTIONS ON TRANSFER OR CHANGE OF CONTROL. All Credit Security shall be free and clear of any Liens and restrictions on the transfer thereof, including contractual provisions which prohibit the assignment of rights under contracts, except for Liens permitted by section 6.8 of the Credit Agreement or by this Section 2.3.3. Without limiting the generality of the foregoing, each Obligor will in good faith attempt to exclude from agreements, instruments, deeds or leases to which it becomes a

party after the date hereof provisions that would prevent such Obligor from creating a security interest in such agreement, instrument, deed or lease or any rights or property acquired thereunder as contemplated hereby. None of the Pledged Stock shall be subject to any option to purchase or similar rights of any Person. Except with the written consent of the Agent, which consent will not be unreasonably withheld, each Obligor will in good faith attempt to exclude from any agreement, instrument, deed or lease provisions that would restrict the change of control or ownership of the Company or any of its Subsidiaries, or the creation of a security interest in the ownership of the Company or any of its Subsidiaries.

2.3.4. JURISDICTION OF ORGANIZATION. Each Obligor shall at all times maintain its jurisdiction of organization as set forth in exhibit 7.1 to the Credit Agreement as in effect on the date hereof or, so long as such Obligor shall have taken all steps reasonably necessary to perfect the Lenders' security interest in the Credit Security with respect to such new jurisdiction, in such other jurisdiction as such Obligor may specify by notice actually received by the Agent not less than 10 Banking Days prior to such change of jurisdiction of organization.

2.3.5. LOCATION OF CREDIT SECURITY. Each Obligor shall at all times keep its records concerning the Accounts at its chief executive office and principal place of business, which office and place of business shall be as set forth in exhibit 7.1 to the Credit Agreement (as from time to time supplemented in accordance with sections 6.4.1 and 6.4.2 of the Credit Agreement) or, so long as such Obligor shall have taken all steps reasonably necessary to perfect the Lenders' security interest in the Credit Security with respect to such new address, at such other address as such Obligor may specify by notice actually received by the Agent not less than 10 Banking Days prior to such change of address. No Obligor shall at any time keep tangible personal property of the type referred to in Section 2.1.1 in any jurisdiction other than the jurisdictions specified in such exhibit 7.1 (as so supplemented) or, so long as such Obligor shall have taken all steps reasonably necessary to perfect the Lenders' security interest in the Credit Security with respect to such other jurisdiction, other jurisdictions as such Obligor may specify by notice actually received by the Agent not less than 10 days prior to moving such tangible personal property into such other jurisdiction.

2.3.6. TRADE NAMES. No Obligor will adopt or do business under any name other than its name or names designated in exhibit 7.1 to the Credit Agreement (as from time to time supplemented in accordance with sections 6.4.1 and 6.4.2 of the Credit Agreement) or any other name specified by notice actually received by the Agent not less than 10 Banking Days prior to the conduct of business under such additional name. Since its inception, no Obligor has changed its name or adopted or conducted business under any trade name other than a name specified in such exhibit 7.1 (as so supplemented).

2.3.7. INSURANCE. Each insurance policy included in, or insuring against loss or damage to, the Credit Security shall name the Agent as additional insured party or as loss payee. No such insurance policy shall be cancelable or subject to termination or reduction in amount or scope of coverage until after at least 30 days' prior written notice from the insurer to the Agent. At least 10 days prior to the expiration of any such insurance policy for any reason, each Obligor shall furnish the Agent with reasonably satisfactory evidence of a renewal or replacement policy and payment of the premiums therefor to the extent due. Each Obligor grants to the Agent full power and authority as its attorney-in-fact, effective upon notice to such Obligor after the occurrence and during the continuance of an Event of Default, to obtain, cancel, transfer, adjust and settle any such insurance policy and to endorse any drafts thereon. Any amounts that the Agent receives under any such policy (including return of unearned premiums) insuring against loss or damage to the Credit Security when no Event of Default has occurred and is continuing shall be delivered to the Obligors for the replacement, restoration and maintenance of the Credit Security. Any such amounts that the Agent receives after the occurrence and during the continuance of an Event of Default shall, at the Agent's option, be applied to payment of the Credit Obligations or to the replacement, restoration and maintenance of the Credit Security. If any Obligor fails to provide insurance as required by this Agreement, the Agent may, at its option, purchase such insurance, and such Obligor will on demand pay to the Agent the amount of any payments made by the Agent or the Lenders for such purpose, together with interest on the amounts so disbursed from five Banking Days after the date demanded until payment in full thereof at the Overdue Reimbursement Rate.

2.3.8. INTELLECTUAL PROPERTY. Exhibit 2.3 hereto shall set forth the following items (collectively, the "INTELLECTUAL PROPERTY"):

(a) all copyrights owned by the Obligors that are registered with the United States Copyright Office (or any office maintaining registration of copyrights in any foreign jurisdiction) and all applications for such registration and

(b) all trademarks, tradenames, service marks, service names and patents owned by the Obligors that are registered with the United States Patent and Trademark Office (or any office maintaining registration of such items in any state of the United States of America or any foreign jurisdiction) and all applications for such registration.

(c) all internet domain names owned by the Obligors and the registry office on which such domain names are registered.

The Obligors shall duly authorize, execute and deliver to the Agent separate memoranda of security interests provided by the Agent with respect to the foregoing Intellectual Property for filing in the offices described above. Upon the registration of any additional Intellectual Property (or the filing of applications therefor) in the offices described above, the Obligors shall notify the Agent and duly authorize, execute and deliver to the Agent separate memoranda of security interests covering such additional Intellectual Property for filing in such offices.

2.3.9. DEPOSIT ACCOUNTS. Each Obligor shall keep all its principal bank and deposit accounts only with the Agent, other Lenders or the financial institutions listed on Exhibit 2.3 hereto. Each Obligor shall use reasonable efforts to cause such financial institutions (other than the Lenders and the Agent) to enter into account control agreements with the Agent in form and substance reasonably satisfactory to the Agent.

2.3.10. MODIFICATIONS TO CREDIT SECURITY. Except with the prior written consent of the Agent, which consent will not be unreasonably withheld, no Obligor shall amend or modify, or waive any of its rights under or with respect to, any material Accounts, general intangibles, Pledged Securities or leases which are part of the Credit Security if the effect of such amendment, modification or waiver would be to reduce the amount of any such items or to extend the time of payment thereof, to waive any default by any other party thereto, or to waive or impair any remedies of the Obligors or the Lenders under or with respect to any such Accounts, general intangibles, Pledged Securities or leases which are part of the Credit Security, in each case other than consistent with past practice in the ordinary course of business and on an arm's-length basis. Each Obligor will promptly give the Agent written notice of any request by any Person for any material credit or adjustment with respect to any Account, general intangible, Pledged Securities or leases.

2.3.11. DELIVERY OF DOCUMENTS. Upon the Agent's reasonable request, each Obligor shall deliver to the Agent, promptly upon such Obligor's receipt thereof, copies of any agreements, instruments, documents or invoices comprising or relating to the Credit Security. Pending such request, such Obligor shall keep such items at its chief executive office and principal place of business (as specified pursuant to Section 2.3.5).

2.3.12. PERFECTION OF CREDIT SECURITY.

(a) This Agreement creates and shall create in favor of the Agent, for the benefit of the Lenders, a legal, valid and enforceable first priority security interest in the

Credit Security described herein, subject only (in the case of Credit Security other than Pledged Stock) to Liens permitted by section 6.8 of the Credit Agreement.

(b) The Agent may at any time and from time to time execute and file UCC financing statements, continuation statements and amendments thereto that describe the Credit Security and contain any information required by Part 5 of Revised Article 9 or the applicable filing office with respect to any such UCC financing statement, continuation statement or amendment thereof.

(c) Upon the Agent's reasonable request from time to time, the Obligors will execute and deliver, and file and record in the proper filing and recording places, all such instruments, including UCC financing statements, collateral assignments of copyrights, trademarks and patents, mortgages or deeds of trust, notations on certificates of title and written confirmation of the grant of a security interest in commercial tort claims, and will take all such other action, as the Agent deems reasonably necessary for perfecting or otherwise confirming to it the Credit Security or to carry out any other purpose of this Agreement or any other Credit Document, whether in anticipation of the effectiveness of Revised Article 9 or otherwise.

(d) In furtherance of the foregoing, the Obligors shall use reasonable efforts to obtain (i) a written acknowledgment, in form and substance reasonably satisfactory to the Agent, from any bailee having possession of any Credit Security that such bailee holds such Credit Security for the benefit of the Agent and (ii) control of any investment property, deposit accounts, letter of credit rights or electronic chattel paper (each such term as defined in Revised Article 9), with any agreements establishing such control to be in form and substance reasonably satisfactory to the Agent.

2.4. ADMINISTRATION OF CREDIT SECURITY. The Credit Security shall be administered as follows, and if an Event of Default shall have occurred and be continuing, Section 2.5 shall also apply.

2.4.1. USE OF CREDIT SECURITY. Until the Agent provides written notice to the contrary, each Obligor may use, commingle and dispose of any part of the Credit Security in the ordinary course of its business, all subject to section 6.12 of the Credit Agreement.

2.4.2. ACCOUNTS. To the extent specified by prior written notice from the Agent after the occurrence and during the continuance of an Event of Default, all sums collected or received and all property recovered or possessed by any Obligor in connection with

any Credit Security shall be received and held by such Obligor in trust for and on the Lenders' behalf, shall be segregated from the assets and funds of such Obligor, and shall be delivered to the Agent for the benefit of the Lenders. Without limiting the foregoing, upon the Agent's request after the occurrence and during the continuance of an Event of Default, each Obligor shall institute depository collateral accounts, lock-box receipts and similar credit procedures providing for the direct receipt of payment on Accounts at a separate address, the segregation of such proceeds for direct payment to the Agent and appropriate notices to Account debtors. Upon the Agent's request after the occurrence and during the continuance of an Event of Default, each Obligor will cause its accounting books and records to be marked with such legends and segregated in such manner as the Agent may specify.

2.4.3. DISTRIBUTIONS ON PLEDGED SECURITIES.

(a) Until an Event of Default shall occur and be continuing, the respective Obligors shall be entitled, to the extent permitted by the Credit Documents, to receive all Distributions on or with respect to the Pledged Securities (other than Distributions constituting additional Pledged Securities or liquidating Distributions). All Distributions constituting additional Pledged Securities or liquidating Distributions will be retained by the Agent (or if received by any Obligor shall be held by such Person in trust and shall be immediately delivered by such Person to the Agent in the original form received, endorsed in blank) and held by the Agent as part of the Credit Security.

(b) If an Event of Default shall have occurred and be continuing all Distributions on or with respect to the Pledged Securities shall be retained by the Agent (or if received by any Obligor shall be held by such Person in trust and shall be immediately delivered by it to the Agent in the original form received, endorsed in blank) and held by the Agent as part of the Credit Security or applied by the Agent to the payment of the Credit Obligations in accordance with Section 2.5.6.

2.4.4. VOTING PLEDGED SECURITIES.

(a) Until an Event of Default shall occur and be continuing and the Agent shall have delivered a notice contemplated by clause (b) below, the respective Obligors shall be entitled to vote or consent with respect to the Pledged Securities in any manner not inconsistent with the terms of any Credit Document, and the Agent will, if so requested, execute appropriate revocable proxies therefor.

(b) If an Event of Default shall have occurred and be continuing, if and to the extent that the Agent shall so notify in writing the Obligor pledging the Pledged Securities in question, only the Agent shall be entitled to vote or consent or take any other action with respect to the Pledged Securities (and any Obligor will, if so requested, execute appropriate proxies therefor).

2.5. RIGHT TO REALIZE UPON CREDIT SECURITY. Except to the extent prohibited by applicable law that cannot be waived, this Section 2.5 shall govern the Lenders' and the Agent's rights to realize upon the Credit Security if any Event of Default shall have occurred and be continuing. The provisions of this Section 2.5 are in addition to any rights and remedies available at law or in equity and in addition to the provisions of any other Credit Document. In the case of a conflict between this Section 2.5 and any other Credit Document, this Section 2.5 shall govern.

2.5.1. ASSEMBLY OF CREDIT SECURITY; RECEIVER. Each Obligor shall, upon the Agent's request, assemble the Credit Security and otherwise make it available to the Agent. The Agent may have a receiver appointed for all or any portion of the Obligors' assets or business which constitutes the Credit Security in order to manage, protect, preserve, sell and otherwise dispose of all or any portion of the Credit Security in accordance with the terms of the Credit Documents, to continue the operations of the Obligors and to collect all revenues and profits therefrom to be applied to the payment of the Credit Obligations, including the compensation and expenses of such receiver.

2.5.2. GENERAL AUTHORITY. To the extent specified in written notice from the Agent to the Obligor in question, each Obligor grants the Agent full and exclusive power and authority, subject to the other terms hereof and applicable law, to take any of the following actions (for the sole benefit of the Agent on behalf of the Lenders and the holders from time to time of any Credit Obligations, but at such Obligor's expense):

(a) To ask for, demand, take, collect, sue for and receive all payments in respect of any Accounts, general intangibles, Pledged Securities or leases which such Obligor could otherwise ask for, demand, take, collect, sue for and receive for its own use.

(b) To extend the time of payment of any Accounts, general intangibles, Pledged Securities or leases and to make any allowance or other adjustment with respect thereto.

(c) To settle, compromise, prosecute or defend any action or proceeding with respect to any Accounts, general intangibles, Pledged Securities or leases and to enforce all rights and remedies thereunder which such Obligor could otherwise enforce.

(d) To enforce the payment of any Accounts, general intangibles, Pledged Securities or leases, either in the name of such Obligor or in its own name, and to endorse the name of such Obligor on all checks, drafts, money orders and other instruments tendered to or received in payment of any Credit Security.

(e) To notify the third party payor with respect to any Accounts, general intangibles, Pledged Securities or leases of the existence of the security interest created hereby and to cause all payments in respect thereof thereafter to be made directly to the Agent; PROVIDED, HOWEVER, that whether or not the Agent shall have so notified such payor, such Obligor will at its expense render all reasonable assistance to the Agent in collecting such items and in enforcing claims thereon.

(f) To use, operate, sell, transfer, assign or otherwise deal in or with any Credit Security or the proceeds thereof, as fully as such Obligor otherwise could do.

2.5.3. MARSHALING, ETC. Neither the Agent nor the Lenders shall be required to make any demand upon, or pursue or exhaust any of their rights or remedies against, any Obligor or any other guarantor, pledgor or any other Person with respect to the payment of the Credit Obligations or to pursue or exhaust any of their rights or remedies with respect to any collateral therefor or any direct or indirect guarantee thereof. Neither the Agent nor the Lenders shall be required to marshal the Credit Security or any guarantee of the Credit Obligations or to resort to the Credit Security or any such guarantee in any particular order, and all of its and their rights hereunder or under any other Credit Document shall be cumulative. To the extent it may lawfully do so, each Obligor absolutely and irrevocably waives and relinquishes the benefit and advantage of, and covenants not to assert against the Agent or the Lenders, any valuation, stay, appraisement, extension, redemption or similar laws now or hereafter existing which, but for this provision, might be applicable to the sale of any Credit Security made under the judgment, order or decree of any court, or privately under the power of sale conferred by this Agreement, or otherwise. Without limiting the generality of the foregoing, each Obligor (a) agrees that it will not invoke or utilize any law which might prevent, cause a delay in or otherwise impede the enforcement of the rights of the Agent or any Lender in the Credit Security, (b) waives its rights under all such laws, and (c) agrees that it will not invoke or raise as a defense to any enforcement by the Agent or any Lender of any rights and remedies relating to the Credit Security or the Credit Obligations any legal or contractual requirement with which the Agent or any Lender may have in good faith

failed to comply. In addition, each Obligor waives any right to prior notice (except to the extent expressly required by this Agreement) or judicial hearing in connection with foreclosure on or disposition of any Credit Security, including any such right which such Obligor would otherwise have under the Constitution of the United States of America, any state or territory thereof or any other jurisdiction.

2.5.4. SALES OF CREDIT SECURITY. All or any part of the Credit Security may be sold for cash or other value in any number of lots at public or private sale, without demand, advertisement or notice; PROVIDED, HOWEVER, that unless the Credit Security to be sold threatens to decline speedily in value or is of a type customarily sold on a recognized market, the Agent shall give the Obligor granting the security interest in such Credit Security 10 days' prior written notice of the time and place of any public sale, or the time after which a private sale may be made, which notice each of the Obligors and the Agent agrees to be reasonable. At any sale or sales of Credit Security, any Lender or any of its respective officers acting on its behalf, or such Lender's assigns, may bid for and purchase all or any part of the property and rights so sold, may use all or any portion of the Credit Obligations owed to such Lender as payment for the property or rights so purchased, and upon compliance with the terms of such sale may hold and dispose of such property and rights without further accountability to the respective Obligors, except for the proceeds of such sale or sales pursuant to Section 2.5.6. The Obligors acknowledge that any such sale will be made by the Agent on an "as is" basis with disclaimers of all warranties, whether express or implied (including warranties with respect to title, possession, quiet enjoyment and other similar warranties). The respective Obligors will execute and deliver or cause to be executed and delivered such instruments, documents, assignments, waivers, certificates and affidavits, will supply or cause to be supplied such further information and will take such further action, as the Agent shall reasonably request in connection with any such sale.

2.5.5. SALE WITHOUT REGISTRATION. If, at any time when the Agent shall determine to exercise its rights hereunder to sell all or part of the securities included in the Credit Security, the securities in question shall not be effectively registered under the Securities Act (or other applicable law), the Agent may, in its sole discretion, sell such securities by private or other sale not requiring such registration in such manner and in such circumstances as the Agent may deem necessary or advisable in order that such sale may be effected in accordance with applicable securities laws without such registration and the related delays, uncertainty and expense. Without limiting the generality of the foregoing, in any event the Agent may, in its sole discretion, (a) approach and negotiate with a single purchaser or one or more possible purchasers to effect such sale, (b) restrict such sale to one or more purchasers each of whom will represent and agree that such purchaser is purchasing for its own account, for investment and not with a view to the distribution or sale of such securities and (c) cause to be placed on certificates representing the securities in question a legend to the effect that such securities have not

been registered under the Securities Act (or other applicable law) and may not be disposed of in violation of the provisions thereof. Each Obligor agrees that such manner of disposition is commercially reasonable, that it will upon the Agent's request give any such purchaser access to such information regarding the issuer of the securities in question as the Agent may reasonably request and that the Agent and the Lenders shall not incur any responsibility for selling all or part of the securities included in the Credit Security at any private or other sale not requiring such registration, notwithstanding the possibility that a substantially higher price might be realized if the sale were deferred until after registration under the Securities Act (or other applicable law) or until made in compliance with certain other rules or exemptions from the registration provisions under the Securities Act (or other applicable law). Each Obligor acknowledges that no adequate remedy at law exists for breach by it of this Section 2.5.5 and that such breach would not be adequately compensable in damages and therefore agrees that this Section 2.5.5 may be specifically enforced.

2.5.6. APPLICATION OF PROCEEDS. The proceeds of all sales and collections in respect of any Credit Security or other assets of any Obligor, all funds collected from the Obligors and any cash contained in the Credit Security, the application of which is not otherwise specifically provided for herein, shall be applied as follows:

(a) First, to the payment of the costs and expenses of such sales and collections, the reasonable expenses of the Agent and the reasonable fees and expenses of its special counsel;

(b) Second, any surplus then remaining to the payment of the Credit Obligations in such order and manner as the Agent may in its reasonable discretion determine; PROVIDED, HOWEVER, that any such payment shall be distributed to the Lenders in accordance with the Credit Agreement and the other Credit Documents; and

(c) Third, any surplus then remaining shall be paid to the Obligors, subject, however, to any rights of the holder of any then existing Lien who has duly presented to the Agent an authenticated demand for proceeds before the Agent's distribution of the proceeds is completed.

2.6. CUSTODY OF CREDIT SECURITY. Except as provided by applicable law that cannot be waived, the Agent will have no duty as to the custody and protection of the Credit Security, the collection of any part thereof or of any income thereon or the preservation or exercise of any rights pertaining thereto, including rights against prior parties, except for the use of reasonable care in the custody and physical preservation of any Credit Security in its possession. The Lenders will not be liable or responsible for any loss or damage to any Credit Security, or for any diminution in the value thereof, by reason of the act or omission of any agent selected by the Agent acting in good faith.

3. GENERAL. ADDRESSES FOR NOTICES, CONSENT TO JURISDICTION, JURY TRIAL WAIVER, DEFEASANCE AND NUMEROUS OTHER PROVISIONS APPLICABLE TO THIS AGREEMENT ARE CONTAINED IN THE CREDIT AGREEMENT. THE INVALIDITY OR UNENFORCEABILITY OF ANY PROVISION HEREOF SHALL NOT AFFECT THE VALIDITY OR ENFORCEABILITY OF ANY OTHER PROVISION HEREOF, AND ANY INVALID OR UNENFORCEABLE PROVISION SHALL BE MODIFIED SO AS TO BE ENFORCEABLE TO THE MAXIMUM EXTENT OF ITS VALIDITY OR ENFORCEABILITY. THE HEADINGS IN THIS AGREEMENT ARE FOR CONVENIENCE OF REFERENCE ONLY AND SHALL NOT LIMIT, ALTER OR OTHERWISE AFFECT THE MEANING HEREOF. THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS CONSTITUTE THE ENTIRE UNDERSTANDING OF THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF AND THEREOF AND SUPERSEDE ALL PRIOR AND CURRENT UNDERSTANDINGS AND AGREEMENTS, WHETHER WRITTEN OR ORAL. THIS AGREEMENT IS A CREDIT DOCUMENT AND MAY BE EXECUTED IN ANY NUMBER OF COUNTERPARTS, WHICH TOGETHER SHALL CONSTITUTE ONE INSTRUMENT. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS (OTHER THAN THE CONFLICT OF LAWS RULES) OF THE COMMONWEALTH OF MASSACHUSETTS, EXCEPT AS MAY BE REQUIRED BY THE UCC OF OTHER JURISDICTIONS WITH RESPECT TO MATTERS INVOLVING THE PERFECTION OF THE AGENT'S LIEN ON THE CREDIT SECURITY LOCATED IN SUCH OTHER JURISDICTIONS.

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Each of the undersigned has caused this Agreement to be executed and delivered by its duly authorized officer as an agreement under seal as of the date first written above.

PEDIATRIX MEDICAL GROUP, INC. (FL)

By /S/ Karl B. Wagner

Title: Chief Financial Officer

PEDIATRIX MEDICAL GROUP OF FLORIDA, INC.

By /s/ Karl B. Wagner

Title: Treasurer

PEDIATRIX MEDICAL GROUP, P.C. (WV)

By /s/ Karl B. Wagner

Title: Treasurer

PEDIATRIX MEDICAL GROUP, P.C. (VA)

By /s/ Karl B. Wagner

Title: Treasurer

PEDIATRIX MEDICAL GROUP, S.P. (PR)

By /s/ Karl B. Wagner

Title: Attorney-in-Fact

PEDIATRIX MEDICAL GROUP, P.A. (NJ)

By /s/ Karl B. Wagner

Title: Treasurer

PEDIATRIX MEDICAL GROUP OF KANSAS, P.A.

By /s/ Karl B. Wagner

Title: Attorney-in-Fact

PEDIATRIX MEDICAL GROUP
NEONATOLOGY AND PEDIATRIC INTENSIVE CARE SPECIALISTS
OF NEW YORK, P.C.

By /s/ Karl B. Wagner

Title: Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF
CALIFORNIA, P.C.

By /s/ Karl B. Wagner

Title: Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF ILLINOIS,
P.C.

By /s/ Karl B. Wagner

Title: Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF MICHIGAN,
P.C.

By /s/ Karl B. Wagner

Title: Treasurer

PEDIATRIX MEDICAL GROUP OF
PENNSYLVANIA, P.C.

By /s/ Karl B. Wagner

Title: Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF TEXAS,
P.A.

By /s/ Karl B. Wagner

Title: Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF OHIO, CORP.

By /s/ Karl B. Wagner

Title: Secretary

NEONATAL SPECIALISTS, LTD. (AZ)

By /s/ Karl B. Wagner

Title: Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF COLORADO, P.C.

By /s/ Karl B. Wagner

Title: Attorney-in-Fact

ST. JOSEPH NEONATOLOGY CONSULTANTS, P.A.

By /s/ Karl B. Wagner

Title: Attorney-in-Fact

PERNOLL MEDICAL GROUP OF NEVADA, LTD.
D/B/A PEDIATRIX MEDICAL GROUP OF NEVADA

By /s/ Karl B. Wagner

Title: Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF
SOUTH CAROLINA, P.A.

By /s/ Karl B. Wagner

Title: Treasurer

FLORIDA REGIONAL NEONATAL
ASSOCIATES, P.A.

By /s/ Karl B. Wagner

Title: Treasurer

PEDIATRIX MEDICAL GROUP, INC.
(Utah)

By /s/ Karl B. Wagner

Title: Treasurer

PEDIATRIX MEDICAL GROUP OF NEW
MEXICO, P.C.

By /s/ Karl B. Wagner

Title: Treasurer

PEDIATRIX MEDICAL GROUP OF
WASHINGTON, INC., P.C.

By /s/ Karl B. Wagner

Title: Treasurer

PEDIATRIX MEDICAL GROUP OF
INDIANA, P.C.

By /s/ Karl B. Wagner

Title: Attorney-in-Fact

FORT WORTH NEONATAL ASSOCIATES, P.A.

By /s/ Karl B. Wagner

Title: Attorney-in-Fact

PMG ACQUISITION CORP.

By /s/ Karl B. Wagner

Title: Treasurer

PEDIATRIX MEDICAL GROUP OF
PUERTO RICO, P.S.C.

By /s/ Karl B. Wagner

Title: Attorney-in-Fact

OBSTETRIX MEDICAL GROUP, INC.

By /s/ Karl B. Wagner

Title: Treasurer

OBSTETRIX MEDICAL GROUP
OF FLORIDA, INC.

By /s/ Karl B. Wagner

Title: Treasurer

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M. DOUGLAS CUNNINGHAM, M.D.,
A PROFESSIONAL CORPORATION
D/B/A OBSTETRIX MEDICAL GROUP
OF CALIFORNIA, A PROFESSIONAL
CORPORATION

By /s/ Karl B. Wagner

Title: Attorney-in-Fact

MARCIA J. PERNOLL, M.D. PROF. CORP.
D/B/A OBSTETRIX MEDICAL GROUP
OF NEVADA, LTD.

By /s/ Karl B. Wagner

Title: Attorney-in-Fact

OBSTETRIX MEDICAL GROUP OF ARIZONA,
P.C.

By /s/ Karl B. Wagner

Title: Treasurer

OBSTETRIX MEDICAL GROUP
OF COLORADO, P.C.

By /s/ Karl B. Wagner

Title: Attorney-in-Fact

OBSTETRIX MEDICAL GROUP
OF KANSAS AND MISSOURI, P.A.

By /s/ Karl B. Wagner

Title: Attorney-in-Fact

OBSTETRIX MEDICAL GROUP
OF PENNSYLVANIA, P.C.

By /s/ Karl B. Wagner

Title: Treasurer

OBSTETRIX MEDICAL GROUP
OF PHOENIX, P.C.

By /s/ Karl B. Wagner

Title: Treasurer

OBSTETRIX MEDICAL GROUP OF TEXAS,
P.A.

By /s/ Karl B. Wagner

Title: Attorney-in-Fact

OBSTETRIX MEDICAL GROUP
OF WASHINGTON, INC., P.S.

By /s/ Karl B. Wagner

Title: Treasurer

PALM BEACH NEO ACQUISITIONS, INC.

By /s/ Karl B. Wagner

Title: Treasurer

PEDIATRIX MEDICAL GROUP
OF ARKANSAS, P.A.

By /s/ Karl B. Wagner

Title: Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF GEORGIA,
P.C.

By /s/ Karl B. Wagner

Title: Secretary

PEDIATRIX MEDICAL GROUP OF MISSOURI,
P.C.

By /s/ Karl B. Wagner

Title: Attorney-in-Fact

PEDIATRIX MEDICAL GROUP
OF OKLAHOMA, P.C.

By /s/ Karl B. Wagner

Title: Attorney-in-Fact

PEDIATRIX MEDICAL GROUP
OF TENNESSEE, P.C.

By /s/ Karl B. Wagner

Title: Treasurer

PEDIATRIX OF MARYLAND, P.A.

By /s/ Karl B. Wagner

Title: Attorney-in-Fact

FLEET NATIONAL BANK, as Agent

By /s/ Carol Paige Castle

Carol Paige Castle
Director

Fleet National Bank
100 Federal Street
Mail Stop: MADE 10008E
Boston, Massachusetts 02110
Telecopy: (617) 434-2472

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.

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. 333-07057, 333-07061, 333-07059 and 333-77779) of Pediatrix Medical Group, Inc. of our report dated January 26, 2001, except as to Note 15 which is as of February 15, 2001, relating to the consolidated financial statements and financial statement schedule, which appears in this Form 10-K.

PricewaterhouseCoopers LLP

Fort Lauderdale, Florida
March 16, 2001

EXHIBIT 23.2

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Pediatrix Medical Group, Inc.

We consent to incorporation by reference in the registration statements (No. 333-07057, 333-07061, 333-07059 and 333-77779) on Forms S-8 of Pediatrix Medical Group, Inc. and subsidiaries of our report dated March 22, 1999, relating to the consolidated statements of income, stockholders' equity and cash flows and the financial statement schedule of Pediatrix Medical Group, Inc. for the year ended December 31, 1998 which report appears in the December 31, 2000 annual report on Form 10-K of Pediatrix Medical Group, Inc. and subsidiaries.

KPMG LLP

Fort Lauderdale, Florida
March 15, 2001