

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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 1998

OR

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

Commission File Number 0-26762

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

Florida 65-0271219
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

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

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

Not Applicable
(Former name, former address and fiscal year, if changed since last report)

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

At August 6, 1998, the Registrant had 15,242,831 shares of \$0.01 par value common stock outstanding.

PEDIATRIX MEDICAL GROUP, INC.

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PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
PEDIATRIX MEDICAL GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 1998 (Unaudited)	December 31, 1997	
	-----	-----	
	(in thousands)		
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,753	\$ 18,562	
Investments in marketable securities.....	--	27,132	
Accounts receivable, net.....	46,219	34,866	
Prepaid expenses.....	550	873	
Other current assets.....	1,016	586	
	-----	-----	
Total current assets.....	49,538	82,019	
Property and equipment, net.....	10,644	9,898	
Other assets, net.....	170,624	104,895	
	-----	-----	
Total assets.....	\$ 230,806	\$ 196,812	
	=====	=====	
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued expenses.....	\$ 17,083	\$ 16,170	
Income taxes payable.....	1,103	1,348	
Current portion of note payable.....	200	200	
Deferred income taxes.....	15,252	10,393	
	-----	-----	
Total current liabilities.....	33,638	28,111	
Line of credit.....	10,000	--	
Note payable.....	2,450	2,550	
Deferred income taxes.....	947	2,442	
	-----	-----	
Total liabilities.....	47,035	33,103	
Minority interest.....	4,153	--	
Commitments and contingencies			
Stockholders' equity:			
Preferred stock.....	--	--	
Common stock.....	152	151	
Additional paid-in capital.....	125,162	122,391	
Retained earnings.....	54,304	41,078	
Unrealized gain on investments.....	--	89	
	-----	-----	
Total stockholders' equity.....	179,618	163,709	
	-----	-----	
Total liabilities and stockholders' equity.	\$ 230,806	\$ 196,812	
	=====	=====	

The accompanying notes are an integral part of
these financial statements

PEDIATRIX MEDICAL GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
	(in thousands, except for per share data)			
Net patient service revenue.....	\$ 46,144	\$ 30,599	\$ 83,952	\$ 57,612
Operating expenses:				
Salaries and benefits.....	28,584	19,774	52,144	37,383
Supplies & other operating expenses.....	3,393	2,358	6,088	4,460
Depreciation and amortization.....	2,125	1,008	3,813	1,791
Total operating expenses	34,102	23,140	62,045	43,634
Income from operations	12,042	7,459	21,907	13,978
Investment income.....	45	563	491	1,298
Interest expense.....	(242)	(75)	(351)	(149)
Income before income taxes	11,845	7,947	22,047	15,127
Income tax provision.....	4,738	3,179	8,821	6,051
Net income.....	\$ 7,107	\$ 4,768	\$ 13,226	\$ 9,076
Per share data:				
Net income per common and common equivalent share:				
Basic	\$.47	\$.32	\$.87	\$.61
Diluted	\$.45	\$.30	\$.83	\$.58
Weighted average shares used in computing net income per common and common equivalent share:				
Basic.....	15,226	15,001	15,192	14,944
Diluted.....	15,900	15,678	15,871	15,611

The accompanying notes are an integral part of these financial statements

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

	Six Months Ended June 30,	
	1998	1997
	(in thousands)	
Cash flows provided (used) by operating activities:		
Net income	\$ 13,226	\$ 9,076
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	3,813	1,791
Deferred income taxes.....	3,364	2,399
Changes in assets and liabilities:		
Accounts receivable.....	(11,353)	(6,332)
Prepaid expenses and other current assets	(107)	(680)
Income taxes payable.....	629	2,146
Other assets.....	116	(84)
Accounts payable and accrued expenses.....	(33)	439
Net cash provided by operating activities	9,655	8,755
Cash flows provided (used) by investing activities:		
Physician group acquisition payments.....	(63,891)	(30,365)
Purchase of investments.....	(9,939)	(7,074)
Proceeds from sale of investments.....	36,983	36,567
Purchase of property and equipment.....	(1,401)	(1,114)
Net cash used in investing activities.....	(38,248)	(1,986)
Cash flows provided (used) by financing activities:		
Borrowings on line of credit.....	10,000	--
Payments on note payable.....	(100)	(100)
Proceeds from issuance of common stock.....	1,884	2,265
Net cash provided by financing activities	11,784	2,165
Net (decrease) increase in cash and cash equivalents	(16,809)	8,934
Cash and cash equivalents at beginning of period	18,562	18,435
Cash and cash equivalents at end of period.....	\$ 1,753	\$ 27,369

The accompanying notes are an integral part of
these financial statements

PEDIATRIX MEDICAL GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1998

(Unaudited)

1. Basis of Presentation:

The accompanying unaudited condensed consolidated financial statements of Pediatrix Medical Group, Inc. (the "Company" or "Pediatrix") presented herein do not include all disclosures required by generally accepted accounting principles for complete financial statements. In the opinion of management, these financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of interim periods.

The results of operations for the three and six months ended June 30, 1998 are not necessarily indicative of the results of operations to be expected for the year ended December 31, 1998. The interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 1998.

2. Business Acquisitions:

During the first six months of 1998, the Company completed the acquisition of 10 physician group practices. Total consideration for these acquisitions approximated \$62 million in cash and 4,136,934 shares of stock in a subsidiary of the Company.

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

The following unaudited pro forma information combines the consolidated results of operations of the Company and the physician group practices acquired during 1997 and 1998 as if the acquisitions had occurred on January 1, 1997:

	Six Months Ended June 30,	
	1998	1997
	(in thousands, except for per share data)	
Net patient service revenue	\$ 88,698	\$ 76,347
Net income	13,436	9,797
Net income per share:		
Basic	.88	.66
Diluted	.85	.63

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.

(Unaudited)

3. Accounts Payable and Accrued Expenses:

Accounts payable and accrued expenses consists of the following:

	June 30, 1998	December 31, 1997
	-----	-----
	(in thousands)	
Accounts payable.....	\$ 2,624	\$ 2,988
Accrued salaries and bonuses.....	5,195	5,340
Accrued payroll taxes and benefits.....	3,308	3,013
Accrued professional liability coverage.....	4,298	3,747
Other accrued expenses.....	1,658	1,082
	-----	-----
	\$ 17,083	\$ 16,170
	=====	=====

4. Net Income Per Share:

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

5. Accounting Pronouncements Recently Issued:

During 1998, the Company adopted the provisions of SFAS No. 130, "Reporting Comprehensive Income," which requires that all items recognized under accounting standards as components of comprehensive income be reported in the financial statements. The Company's comprehensive income was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	-----	-----	-----	-----
	1998	1997	1998	1997
	-----	-----	-----	-----
	(in thousands)			
Net income.....	\$ 7,107	\$ 4,768	\$ 13,226	\$ 9,076
Other comprehensive income (loss) net of tax:				
Unrealized holding losses arising during the period.....	--	(1)	--	(1)
Reclassification adjustment for (gains) losses included in net income	--	39	(89)	30
	-----	-----	-----	-----
Net (gains) losses recognized in other comprehensive income.....	--	38	(89)	29
	-----	-----	-----	-----
Comprehensive income.....	\$ 7,107	\$ 4,806	\$ 13,137	\$ 9,105
	=====	=====	=====	=====

(Unaudited)

6. Contingencies:

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

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

Results of Operations

Three Months Ended June 30, 1998 as Compared to Three Months Ended June 30, 1997

The Company reported net patient service revenue of \$46.1 million for the three months ended June 30, 1998, as compared with \$30.6 million for the same period in 1997, a growth rate of 50.8%. Of this \$15.5 million increase, \$14.4 million, or 92.9% was attributable to new units, including units at which the Company provides services as a result of acquisitions. Same unit patient service revenue, exclusive of administrative fees, increased \$1.5 million, or 5.6%, for the three months ended June 30, 1998. Same units are those units at which the Company provided services for the entire period for which the percentage is calculated and the entire comparable period.

Salaries and benefits increased \$8.8 million, or 44.6% to \$28.6 million for the three months ended June 30, 1998, as compared with \$19.8 million for the same period in 1997. Of this \$8.8 million increase, \$6.5 million, or 73.7%, was attributable to hiring new physicians, primarily to support new unit growth, and the remaining \$2.3 million was primarily attributable to increased support staff and resources added in the areas of nursing, management and billing and reimbursement. Supplies and other operating expenses increased \$1.0 million, or 43.9% to \$3.4 million for the three months ended June 30, 1998, as compared with \$2.4 million for the same period in 1997, primarily as a result of new units. Depreciation and amortization expense increased by \$1.1 million, or 110.8% to \$2.1 million for the three months ended June 30, 1998, as compared with \$1.0 million for the same period in 1997, primarily as a result of amortization of goodwill in connection with acquisitions.

Income from operations increased approximately \$4.6 million, or 61.4%, to \$12.0 million for the three months ended June 30, 1998, as compared with \$7.5 million for the same period in 1997. The increase in income from operations was primarily due to increased volume, principally from acquisitions.

The Company earned investment income of approximately \$45,000 for the three months ended June 30, 1998, as compared with approximately \$563,000 for the same period in 1997. The decrease in investment income resulted primarily from the use of funds in connection with acquisitions.

The effective income tax rate was approximately 40.0% for the three month periods ended June 30, 1998 and 1997.

Net income increased 49.1% to \$7.1 million for the three months ended June 30, 1998, as compared with \$4.8 million for the same period in 1997. Net income as a percentage of net patient service revenue decreased to 15.4% for the three months ended June 30, 1998, compared to 15.6% for the same period in 1997 primarily as a result of a decrease in investment income.

Six Months Ended June 30, 1998 as Compared to Six Months Ended June 30, 1997

The Company reported net patient service revenue of \$84.0 million for the six months ended June 30, 1998, as compared with \$57.6 million for the same period in 1997, a growth rate of 45.7%. Of this \$26.4 million increase, \$24.8 million, or 93.9% was attributable to new units at which the Company provides services as a result of acquisitions. Same unit patient service revenue, exclusive of administrative fees, increased \$2.3 million, or 5.2%, for the six months ended June 30, 1998. Same units are those units at which the Company provided services for the entire period for which the percentage is calculated and the entire comparable period.

Salaries and benefits increased \$14.8 million, or 39.5% to \$52.1 million for the six months ended June 30, 1998, as compared with \$37.4 million for the same period in 1997. Of this \$14.8 million increase, \$10.9 million, or 73.6%, was attributable to hiring new physicians, primarily to support new unit

growth, and the remaining \$3.9 million was primarily attributable to increased support staff and resources added in the areas of nursing, management and billing and reimbursement. Supplies and other operating expenses increased \$1.6 million, or 36.5% to \$6.1 million for the six months ended June 30, 1998, as compared with \$4.5 million for the same period in 1997, primarily as a result of new units. Depreciation and amortization expense increased by \$2.0 million, or 112.9% to \$3.8 million for the six months ended June 30, 1998, as compared with \$1.8 million for the same period in 1997, primarily as a result of amortization of goodwill in connection with acquisitions.

Income from operations increased approximately \$8.0 million, or 56.7%, to \$22.0 million for the six months ended June 30, 1998, as compared with \$14.0 million for the same period in 1997. The increase in income from operations was primarily due to increased volume, principally from acquisitions.

The Company earned investment income of approximately \$491,000 for the six months ended June 30, 1998, as compared with \$1.3 million for the same period in 1997. The decrease in investment income resulted primarily from the use of funds in connection with acquisitions.

The effective income tax rate was approximately 40.0% for the six month periods ended June 30, 1998 and 1997.

Net income increased 45.7% to \$13.2 million for the six months ended June 30, 1998, as compared with \$9.1 million for the same period in 1997. Net income as a percentage of net patient service revenue was 15.8% for the six month periods ended June 30, 1998 and 1997.

Liquidity and Capital Resources

As of June 30, 1998, the Company had working capital of approximately \$15.9 million, a decrease of \$38.0 million from the working capital of \$53.9 million available at December 31, 1997. The decrease is principally a result of funds utilized for acquisitions during the first six months of 1998, offset by cash generated from operations.

The Company anticipates that funds generated from operations together with cash and funds available under its credit facility, will be sufficient to meet its working capital requirements and finance any required capital expenditures for at least the next twelve months.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

During 1998, the Internal Revenue Service concluded its examination of the Company for the tax years ended December 31, 1992, 1993 and 1994. The resolution of the examination did not have a material effect on the Company's consolidated financial position or results of operations.

Item 2. Changes in Securities

 Not applicable.

Item 3. Defaults Upon Senior Securities

 Not applicable.

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

 (a) The Company's Annual Meeting of Shareholders was held on May 14, 1998.

(b) Not required.

(c) The matters voted on at the Annual Meeting of Shareholders and the tabulation of votes on such matters are as follows:

1. Election of Directors:

Name	For	Against or Withheld	Abstained	Broker Non-Vote
-----	-----	-----	-----	-----
Roger J. Medel, M.D., M.B.A.	12,666,503	63,228	0	0
E. Roe Stamps, IV	12,712,313	17,418	0	0
Bruce R. Evans	12,712,343	17,388	0	0
Michael B. Fernandez	12,666,383	63,348	0	0
Albert H. Nahmad	12,712,283	17,448	0	0
M. Douglas Cunningham, M.D.	12,666,423	63,308	0	0
Cesar L. Alvarez	12,420,886	308,845	0	0

Item 5. Other Information

Not applicable.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.33 Amendment No. 3 to Amended and Restated Credit Agreement, dated March 10, 1998 between Pediatrix, certain PA Contractors, BankBoston and SunTrust Bank

10.34 Amendment No. 4 to Amended and Restated Credit Agreement, dated June 24, 1998 between Pediatrix, certain PA Contractors, BankBoston and SunTrust Bank

10.35 Pediatrix Executive Non-Qualified Deferred Compensation Plan, dated October 13, 1997

11.1 Statement Re: Computation of Per Share Earnings

27.1 Financial Data Schedule

(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PEDIATRIX MEDICAL GROUP, INC.

Date: August 12, 1998

By: /s/ Roger J. Medel

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

Date: August 12, 1998

By: /s/ Karl B. Wagner

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

AMENDMENT NO. 3

TO AMENDED AND RESTATED CREDIT AGREEMENT
Dated as of March 10, 1998

This Agreement, dated as of March 10, 1998, 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 SunTrust Bank/South Florida, National Association (the "Prior Lender") as Lender under the Revolving Loan, and BankBoston, N.A. (formerly known as The First National Bank of Boston), both in its capacity as a Lender under the Revolving Loan and the Mortgage Loan and in its capacity as agent for itself and the other Lenders (collectively the foregoing parties, the "Credit Parties"). The parties agree as follows:

1. REFERENCE TO CREDIT AGREEMENT; DEFINITIONS. Reference is made to the First Amended and Restated Credit Agreement dated as of June 27, 1996 (the "Credit Agreement"), as amended and in effect from time to time, among the Credit Parties hereto. Terms defined in the Credit Agreement and not otherwise defined herein are used herein with the meanings so defined.

2. AMENDMENT TO CREDIT AGREEMENT. Subject to all the terms and conditions hereof, the Credit Agreement is hereby amended as follows, effective as of the later of March 10, 1998 and the date each of the conditions in Section 4 hereof is satisfied or waived:

2.1. Amendment of Section 2.1.3. Section 2.1.3. of the Credit Agreement is hereby amended and restated to read as follows:

" 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 \$50,000 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."

2.2. Amendment of Section 4.1.4. Section 4.1.4. of the Credit Agreement is hereby amended and restated to read as follows:

"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 3.4."

2.3. Amendment of Section 6.9.5. Section 6.9.5. of the Credit Agreement is hereby amended and restated to read as follows:

"6.9.5. Loans to employees not to exceed a principal amount of \$1,000,000 in the aggregate at any one time outstanding provided that loans may be made to selling physicians as part of the consideration in a Permitted Acquisition in an amount not to exceed \$3,500,000."

2.4. Amendment of Section 7.1.3. Section 7.1.3. of the Credit Agreement is hereby amended and restated to read as follows:

"7.1.3. Capitalization. Other than up to 30% in the aggregate of the outstanding capital stock of Obstetrix Medical Group, Inc. issued to selling physicians or their advisors as part of

the consideration in a Permitted Acquisition or issued to physicians who are employed by or otherwise affiliated with the Borrowers, 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."

3. NO DEFAULT. In order to induce the Lenders to enter into this Amendment and to continue to extend credit to the Borrowers under the Credit Agreement as amended hereby, each of the Borrowers represents and warrants that, after giving effect to this Amendment, no Default under the Credit Agreement as amended hereby exists.

4. CONDITIONS. On or prior to the Amendment Date:

- 4.1. Each Borrower shall have duly executed and delivered to the Agent a Revolving Note for each Lender, dated as of June 27, 1996;
- 4.2. The Company shall have delivered to the Agent an Officers Certificate in the form of Exhibit A to this Agreement certifying that the representations and warranties contained in Section 7 of the Credit Agreement are true and correct on and as of the Amendment 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 are in compliance with the covenants contained in Section 6 of the Credit Agreement and no Default shall exist on the Amendment Date prior to or immediately after giving effect to the requested extension of credit; and that no Material Adverse Change has occurred since December 31, 1995;
- 4.3. The making of the requested Amendment and 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 of the Credit Agreement), (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.
- 4.4. This Amendment, the Credit Agreement and 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. MISCELLANEOUS. Except to the extent specifically amended hereby, the provisions of the Credit Agreement shall remain unmodified, and the Credit Agreement as amended hereby is confirmed as being in full force and effect. This Amendment may be executed in any number of counterparts which together shall constitute one instrument, shall be governed by and construed in accordance with the laws of The Commonwealth of Massachusetts (other than conflict of laws rules), and shall bind and inure to the benefit of the parties hereto and their respective successors and assigns, including as such successors and assigns all holders of Credit Obligations.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed and delivered by their duly authorized officers as of the date first above written.

PEDIATRIX MEDICAL GROUP, INC.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Vice President and
Chief Financial Officer

PEDIATRIX MEDICAL GROUP OF
FLORIDA, INC.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP, P.C. (WV)

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP, P.C. (VA)

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP, S.P. (PR)

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

PEDIATRIX MEDICAL GROUP, P.A. (NJ)

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP OF
KANSAS, P.A.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

PEDIATRIX MEDICAL GROUP
NEONATOLOGY
AND PEDIATRIC INTENSIVE CARE
SPECIALISTS OF NEW YORK, P.C.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF
CALIFORNIA, P.C.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF
ILLINOIS, P.C.

By: /s/ Brian D. Udell, M.D.

Brian D. Udell, M.D., President

PEDIATRIX MEDICAL GROUP OF
MICHIGAN, P.C.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP OF
PENNSYLVANIA, P.C.

By: /s/ Brian D. Udell

Brian D. Udell, M.D., President

PEDIATRIX MEDICAL GROUP OF
TEXAS, P.A.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF
OHIO, CORP.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

NEONATAL SPECIALISTS, LTD. (AZ)

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP OF
COLORADO, P.C.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

ST. JOSEPH NEONATOLOGY
CONSULTANTS, P.A.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

PERNOLL MEDICAL GROUP OF
NEVADA, LTD. D/B/A PEDIATRIX
MEDICAL GROUP OF NEVADA

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF
SOUTH CAROLINA, P.A.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

FLORIDA REGIONAL NEONATAL
ASSOCIATES, P.A.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP, INC.
(Utah)

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP OF
NEW MEXICO, P.C.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP OF
WASHINGTON, INC., P.C.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP OF
INDIANA, P.C.

By: /s/ Brian D. Udell,

Brian D. Udell, M.D., President

FORT WORTH NEONATAL
ASSOCIATES, P.A.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

PMG ACQUISITION CORP.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP OF
PUERTO RICO, P.S.C.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

OBSTETRIX MEDICAL GROUP, INC.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

OBSTETRIX MEDICAL GROUP OF
FLORIDA, INC.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

BANKBOSTON, N.A.
(formerly known as The First National Bank
of Boston)

By: /s/ Gregory G. O'Brien

Gregory G. O'Brien, Managing Director

BankBoston, N.A.
New England Corporate Banking
100 Federal Street
Boston, Massachusetts 02110
Telecopy: (617) 434-1279
Telex: 940581

SUNTRUST BANK/CENTRAL FLORIDA,
NATIONAL ASSOCIATION

By: /s/ Ronald K. Rueve

Ronald K. Rueve, Vice President

SunTrust Bank/Central Florida, National Association
Health Care Banking Group
Mail Code: 0-1101
200 S. Orange Avenue
Orlando, Florida 32801
Telecopy (407) 237-5489

TO AMENDED AND RESTATED CREDIT AGREEMENT
Dated as of June 24, 1998

This Agreement, dated as of June 24, 1998, 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 SunTrust Bank/South Florida, National Association (the "Prior Lender") as Lender under the Revolving Loan, and BankBoston, N.A. (formerly known as The First National Bank of Boston), both in its capacity as a Lender under the Revolving Loan and the Mortgage Loan and in its capacity as agent for itself and the other Lenders (collectively the foregoing parties, the "Credit Parties"). The parties agree as follows:

1. REFERENCE TO CREDIT AGREEMENT; DEFINITIONS. Reference is made to the First Amended and Restated Credit Agreement dated as of June 27, 1996 (the "Credit Agreement"), as amended and in effect from time to time, among the Credit Parties hereto. Terms defined in the Credit Agreement and not otherwise defined herein are used herein with the meanings so defined.

2. AMENDMENT TO CREDIT AGREEMENT. Subject to all the terms and conditions hereof, effective as of the date hereof, the Credit Agreement is amended as follows:

2.1. Amendment of Section 1.97. Section 1.97 of the Credit Agreement is hereby amended to read in its entirety as follows:

"1.97. "Operating Cash Flow" means, for any period, the total of:

(a) Consolidated EBITDA;

minus (b) Capital Expenditures (other than Capital Expenditures of up to \$10,000,000 spent on the Borrowers' new corporate headquarters building to be located in the Sawgrass International Corporate Park in Sunrise Florida);

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

2.2. Amendment of Section 2.3.1. Section 2.3.1 of the Credit Agreement is hereby amended to read in its entirety as follows:

"2.3.1 The Loans. Subject to Section 2.3.2, the Borrowers will apply the proceeds of the Loans (a) to fund Permitted Acquisitions and (b) for working capital (including construction and related costs for a new corporate headquarters provided, however, proceeds from the Revolving Loan used for purposes other than funding Permitted Acquisitions or construction and related costs for a new corporate headquarters may never exceed 15% of the Maximum Amount of Revolving Credit, minus the Specified Insurance Reserve Amount."

2.3. Amendment of Section 6.11. Section 6.11 of the Credit Agreement is hereby amended to read in its entirety as follows:

"6.11. Capital Expenditures. None of the Borrowers will make Capital Expenditures exceeding \$3,000,000 in the aggregate in any fiscal year; provided, however, that in addition to the foregoing amount, the Borrowers may spend up to \$10,000,000 on their new corporate headquarters building to be located in the Sawgrass International Corporate Park in Sunrise Florida."

2.4. Amendment of Section 7.1.3. Section 7.1.3 of the Credit Agreement is hereby amended to read in its entirety as follows:

"7.1.3. Capitalization. Other than up to 30% in the aggregate of the outstanding capital stock of Obstetrix Medical Group, Inc. 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."

3. NO DEFAULT. In order to induce the Lenders to enter into this Amendment and to continue to extend credit to the Borrowers under the Credit Agreement as amended hereby, each of the Borrowers represents and warrants that, after giving effect to this Amendment, no Default under the Credit Agreement as amended hereby exists.

4. MISCELLANEOUS. Except to the extent specifically amended hereby, the provisions of the Credit Agreement shall remain unmodified, and the Credit Agreement as amended hereby is confirmed as being in full force and effect. This Amendment may be executed in any number of counterparts which together shall constitute one instrument, shall be governed by and construed in accordance with the laws of The Commonwealth of Massachusetts (other than conflict of laws rules), and shall bind and inure to the benefit of the parties hereto and their respective successors and assigns, including as such successors and assigns all holders of Credit Obligations.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed and delivered by their duly authorized officers as of the date first above written.

PEDIATRIX MEDICAL GROUP, INC.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Vice President and
Chief Financial Officer

PEDIATRIX MEDICAL GROUP OF
FLORIDA, INC.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP, P.C. (WV)

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP, P.C. (VA)

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP, S.P. (PR)

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

PEDIATRIX MEDICAL GROUP, P.A. (NJ)

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP OF
KANSAS, P.A.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

PEDIATRIX MEDICAL GROUP
NEONATOLOGY
AND PEDIATRIC INTENSIVE CARE
SPECIALISTS OF NEW YORK, P.C.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF
CALIFORNIA, P.C.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF
ILLINOIS, P.C.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF
MICHIGAN, P.C.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP OF
PENNSYLVANIA, P.C.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF
TEXAS, P.A.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF
OHIO, CORP.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

NEONATAL SPECIALISTS, LTD. (AZ)

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP OF
COLORADO, P.C.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

ST. JOSEPH NEONATOLOGY
CONSULTANTS, P.A.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

PERNOLL MEDICAL GROUP OF
NEVADA, LTD. D/B/A PEDIATRIX
MEDICAL GROUP OF NEVADA

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF
SOUTH CAROLINA, P.A.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

FLORIDA REGIONAL NEONATAL
ASSOCIATES, P.A.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP, INC.
(UT)

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP OF
NEW MEXICO, P.C.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP OF
WASHINGTON, INC., P.C.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP OF
INDIANA, P.C.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

FORT WORTH NEONATAL
ASSOCIATES, P.A.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

PMG ACQUISITION CORP.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP OF
PUERTO RICO, P.S.C.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

OBSTETRIX MEDICAL GROUP, INC.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

OBSTETRIX MEDICAL GROUP OF
FLORIDA, INC.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PALM BEACH NEO ACQUISITIONS, INC.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, President

MARCIA J. PERNOLL, M.D. PROF. CORP. (NV)

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

OBSTETRIX MEDICAL GROUP OF COLORADO, P.C.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF ARKANSAS, P.A.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

OBSTETRIX MEDICAL GROUP OF ARIZONA, P.C.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

OBSTETRIX MEDICAL GROUP OF KANSAS AND MISSOURI, P.A.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

OBSTETRIX MEDICAL GROUP OF TEXAS, P.A.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

PEDIATRIX MEDICAL GROUP OF GEORGIA, P.C.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Attorney-in-Fact

BANKBOSTON, N.A.
(formerly known as The First National Bank
of Boston)

By: /s/ Jeffrey G. Millman

Jeffrey G. Millman, Vice President

BankBoston, N.A.
New England Corporate Banking
100 Federal Street
Boston, Massachusetts 02110
Telecopy: (617) 434-1279
Telex: 940581

SUNTRUST BANK/CENTRAL FLORIDA,
NATIONAL ASSOCIATION

By: /s/ Janet P. Sammons

Janet P. Sammons, Vice President

SunTrust Bank/Central Florida, National
Association
Health Care Banking Group
Mail Code: 0-1101
200 S. Orange Avenue
Orlando, Florida 32801
Telecopy (407) 237-5489

PEDIATRIX EXECUTIVE NON-QUALIFIED
DEFERRED COMPENSATION PLAN

THIS PEDIATRIX EXECUTIVE NON-QUALIFIED DEFERRED COMPENSATION PLAN (the "Plan") made and entered into this 13 day of October, 1997, by PEDIATRIX MEDICAL GROUP, INC., a corporation duly organized and existing under the laws of the State of Florida (the "Company").

RECITALS:

The Company desires to permit officers and other executives of the Company and its Affiliates to defer a portion of their compensation from the Company and its Affiliates, subject to certain conditions and pursuant to the terms and provisions specified in this Plan. Additionally, the Company desires to provide a plan for the Company and its Affiliates to make matching and other contributions on a discretionary basis.

NOW, THEREFORE, in consideration of the premises and mutual covenants set forth herein, the Company hereby establishes the Plan pursuant to the following terms and provisions.

ARTICLE 1 1

DEFINITIONS

1.1 "Accounting Date" means the last day of each calendar month and such other date or dates as the Committee may designate from time to time as an Accounting Date.

1.2 "Accounting Period" means each period beginning on the day following an Accounting Date and ending on the following Accounting Date.

1.3 "Affiliate" means the following companies related to the Company through long-term management contracts: Pediatrix Medical Group of Arizona, California, Colorado, Florida, Illinois, Indiana, Kansas, Michigan, Nevada, New Jersey, New Mexico, New York, Ohio, Pennsylvania, Puerto Rico, South Carolina, Texas, Utah, Virginia, Washington and West Virginia and any future majority owned subsidiary of the Company or any business entity, partnership or other business entity related to the Company through a long-term management contract.

1.4 "Beneficiary" means the person or persons designated by a Participant, upon such forms as shall be provided by the Committee, to receive payments of the vested portion of the Participant's Accounts after the Participant's death. If the Participant shall fail to designate a Beneficiary, or if for any reason such designation shall be ineffective, or if such Beneficiary shall predecease the Participant or die simultaneously with him, then the Beneficiary shall be, in the following order of preference:

- (a) the Participant's surviving spouse, or
- (b) the Participant's estate.

1.5 "Change of Control" shall mean approval by the shareholders of the Company of (a) a reorganization, merger, consolidation or other form of corporate transaction or series of transactions, in each case, with respect to which persons who were the shareholders of the Company immediately prior to such reorganization, merger or consolidation or other transaction do not, immediately thereafter, own more than 50% of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated company's then outstanding voting securities, (b) a liquidation or dissolution of the Company or (c) the sale of all or substantially all of the assets of the Company (unless such reorganization, merger, consolidation or other corporate transaction, liquidation, dissolution or sale is subsequently abandoned).

1.6 "Code" shall mean the Internal Revenue Code of 1986, as amended, and successor tax laws.

1.7 "Committee" shall mean the persons designated by the Company as the Administrative Committee for the Plan, as it may from time to time be constituted, pursuant to Section 7.1.

1.8 "Company" shall mean Pediatrix Medical Group, Inc., a Florida corporation, its successors and assigns.

1.9 "Deferral Agreement" shall mean the agreement entered into by an Eligible Person in accordance with Section 3.1 hereof pursuant to which the Eligible Person shall elect the amount of his Tax-Deferred Contributions for the Plan Year.

1.10 "Disability" shall mean a disability as that term is defined in the Long Term Disability Plan of the Participating Company that employs the Participant, if any, or if there is no Long Term Disability Plan, disability shall mean a physical or mental condition that renders, or is expected to render, the Participant permanently and totally unable to perform his usual duties or any comparable duties for the Participating Company. The determination of the existence of a Disability shall be made by the Committee and shall be final and binding upon the Participant and all other parties. The Committee may

require the submission of such medical evidence as it may deem necessary in order to arrive at its determination.

1.11 "Effective Date of Plan" shall mean January 1, 1998.

1.12 "Eligible Compensation" shall mean the base salary, bonuses and commissions paid by the Participating Company to the Eligible Person for the Plan Year.

1.13 "Eligible Person" shall mean officers and executives of the Company having the following titles and any other person designated by the Company as being eligible to participate in the Plan, and who satisfy such other conditions as the Company may from time to time establish for eligibility to participate in this Plan:

- Chairman of the Board
- Chief Executive Officer
- Chief Financial Officer
- Chief Operating Officer
- Chief Information Officer
- General Counsel
- Executive Vice President
- Senior Vice President
- Vice President of Business Development
- Vice President of International
- Vice President of Medical Affairs
- Vice President of Practice Integration
- Vice President of Special Projects
- Regional Medical Officer

1.14 "Employer Contribution Account" means the account maintained under the Plan for a Participant that is credited with Matching Contributions and Other Contributions.

1.15 "Investment Funds" means those investment options that shall from time to time be made available as investment options under the Plan, as determined by the Committee.

1.16 "Leave of Absence" shall mean any absence authorized by the Participating Company that employs the Participant under its standard personnel practices, provided that all persons under similar circumstances shall be treated alike in the granting of such authorized Leave of Absence.

1.17 "Matching Contributions" means the matching contributions credited to the Participant's Account in accordance with Section 3.2 of the Plan.

1.18 "Normal Retirement Age" shall mean the date on which the Participant reaches the age of sixty-five.

1.19 "Other Employer Contributions" shall mean any contributions credited to the Participant's Account in accordance with Section 3.3 of the Plan.

1.20 "Participant" shall mean an Eligible Person who becomes a Participant pursuant to Section 2.1 hereof.

1.21 "Participant's Account" means the total amount credited to the account maintained in the Plan in accordance with the provisions of the Plan for each Participant as of any Accounting Date, and which consists of his Tax-Deferred Contributions Account and his Employer Contributions Account.

1.22 "Participating Company" means the Company and each Affiliate that adopts the Plan with the consent of the Company.

1.23 "Plan" shall mean the Pediatrix Executive Non-Qualified Deferred Compensation Plan as herein set forth and as it may be amended from time to time.

1.24 "Plan Year" shall mean each calendar year that begins on or after January 1, 1998.

1.25 "Tax-Deferred Contributions" means the compensation reduction contributions credited to the Participant's Account under Section 3.1 of the Plan.

1.26 "Tax-Deferred Contributions Account" means the account maintained by the Company under the Plan for a Participant that is credited with the Participant's Tax-Deferred Contributions.

1.27 "Trust" means the Physicians, Medical Directors and Executives Deferred Compensation Plan Trust for Pediatrix Medical Group, Inc. between each Participating Company and the Trustee.

1.28 "Trustee" shall mean the persons or entity that shall from time to time be serving as the Trustee of the Trust.

ARTICLE 2

ELIGIBILITY

2.1 Determining Eligibility. An Eligible Person shall become a Participant in the Plan on (i) January 1, 1998, in the case of individuals who are Eligible Persons on December 31, 1997, and (ii) in the case of any other Eligible Person, on the January 1, April 1, July 1 or October 1 coincident with or immediately following that date on which he becomes an Eligible Person. As a condition to an Eligible Person's becoming a Participant, the Eligible Person shall, at the request of the Committee, complete such applications and other forms, and submit to such physical examination, as may be required in order for the Company to purchase one or more life insurance policies on the Eligible Person's life, in such amounts as the Committee shall determine.

ARTICLE 3

CONTRIBUTIONS

3.1 Tax-Deferred Contributions. Each Participant, so long as he remains a Participant, may elect (pursuant to a Deferral Agreement furnished by the Committee prior to the beginning of the Plan Year and in accordance with Committee rules) to reduce and defer receipt pursuant to this Plan of (a) an amount not to exceed twenty-five percent (25%) (in whole percentages) of his base salary earned during the Plan Year, (b) an amount up to one hundred percent (100%) (in whole percentages) of any bonus earned during the Plan Year, and/or (c) an amount up to one hundred percent (100%) (in whole percentages) or any commissions earned during the Plan Year. Deferral Agreements are effective on a Plan Year basis, and must be filed before the beginning of the Plan Year to which they relate. Deferral Agreements may not be amended or revoked after the beginning of the Plan Year. Each Participating Company shall withhold, by payroll deduction, the Eligible Compensation deferred pursuant to this Section 3.1 from the current Eligible Compensation payments of a Participant and credit such withheld amounts to a Participant's Tax-Deferred Contributions Account under the Plan. Special rules for New Participants: An Eligible Person who becomes a Participant during a Plan Year may file a Participant Deferral Agreement within thirty (30) days after becoming a Participant. The Deferral Agreement shall apply to the Eligible Compensation received after the individual becomes a Participant and may not be amended or revoked during the Plan Year for which it is made.

3.2 Matching Contributions. For each Plan Year, each Participating Company shall credit to the Employer Contribution Account of each Participant that is an employee of the Participating Company an amount equal to such percentage, if any, of the Participant's Tax-Deferred Contributions as the Participating Company, in its discretion, shall from time to time determine.

3.3 Other Employer Contributions. For each Plan Year, each Participating Company shall credit to any Employer Contribution Account of a Participant employed by the Participating Company such contributions, if any, as the Participating Company shall determine for such Participant based upon such criteria as the Participating Company, in its discretion, shall from time to time determine.

ARTICLE 4

VESTING

4.1 Tax-Deferred Contributions Account. A Participant's interest in his Tax-Deferred Contributions Account shall be fully vested and nonforfeitable at all times.

4.2 Employer Contributions Account. A Participant shall be fully vested in his Employer Contributions Account on the first to occur of:

(a) completion of three (3) continuous years of employment with the Company and/or an Affiliate (including any Leave of Absence), commencing at any time on or after the date on which the Participant first becomes a Participant;

(b) the death of the Participant while employed by the Company or an Affiliate; or

(c) the date on which the Participant becomes Disabled while employed by the Company or an Affiliate.

4.3 Forfeiture. A Participant shall forfeit the full amount of his Employer Contributions Account in the event that his employment with the Company or any Affiliate is terminated prior to the date on which his Employer Contributions Account is fully vested pursuant to Section 4.2.

ARTICLE 5

INVESTMENT OF PARTICIPANT'S ACCOUNT AND TRUST

5.1 Investment. Amounts credited to a Participant's Account shall be contributed by the Company to the Trust as soon as practicable after they are so credited. The value of a Participant's Account shall be measured as if amounts credited to such Account were actually invested in the Investment Funds selected by the Participant in accordance with the Plan, and shall be credited with gains and losses allocable thereto at such times and in such manner as shall be determined by the Committee. Each Eligible Employee upon becoming a Participant shall elect on the Participant Election and Enrollment Form the portion of the Participant's Account, in whole percentages, that are to be treated as if invested in each of the Investment Funds. A Participant may, as of the first day of each calendar quarter and in such manner as shall be permitted by the Committee, change such election as to the investments upon which the value of his Participant's Account is to be measured. The Company may direct the Trustees that the assets of each Trust be invested in any one, or combination, of the Investment Funds, or in any other investments determined by the Company,

notwithstanding the Participant's election as to the manner in which the value of his Account is to be measured. In the event that the Investment Funds are those that are part of a life insurance policy, then the value of the Participant's Account shall be measured as if it were invested in the Investment Funds selected by the Participant within a life insurance policy which could be acquired by the Company or Trust in accordance with the Plan, and shall be reduced by all cost of insurance and other policy costs, expenses and other charges (including any potential charges) that are or would be incurred if such Policy were maintained. In no event, however, shall the Company be required to purchase or continue to maintain any such life insurance policies, or to invest any amounts within the life insurance policy in accordance with the Participant's election with regard to the manner in which the value of his Account is to be measured.

ARTICLE 6

DISTRIBUTIONS

6.1 Timing of Distributions.

(a) Participant's Account. The vested portion of the Participant's Account, less any applicable tax withholding, shall be distributed to the Participant commencing upon the Participant's termination of employment with the Company and its Affiliates for any reason, including the Participant's death or Disability. The distribution shall commence as soon as administratively practicable after the first day of the calendar month immediately following the date of the Participant's termination of employment with the Company and its Affiliates. The Company may, in its discretion, defer the distribution until the Participant's Normal Retirement Age. If the Company defers the Participant's distribution, the Participant may continue to direct the manner in which his Participant's Account is deemed to be invested until actual distribution.

(b) Acceleration of Distributions. Distribution shall be accelerated upon the following occurrences:

(i) Hardship Distributions. Upon the written request of a Participant and in the event the Committee determines that an "unforeseeable emergency" has occurred with respect to a Participant, the Participant may withdraw the lesser of (1) the amount necessary to meet the emergency or (2) the vested portion of the Participant's Account. For this purpose, an "unforeseeable emergency" shall mean an unanticipated emergency, such as a sudden and unexpected illness or accident of the Participant or a dependent of the Participant or loss of the Participant's property due to casualty, that is caused by an event beyond the control of the Participant and that would result in severe financial hardship if the withdrawal were not permitted. The need to pay a Participant's child's tuition to college and the desire to purchase a home shall not be considered unforeseeable emergencies; or

(ii) Change of Control. In the event of a Change of Control as defined in Section 1.5 hereof, the full amount of the Participant's Account shall be distributed to the Participant as soon as administratively practicable following the Change of Control, unless the Board of Directors of the Company as constituted immediately prior to the Change of Control shall otherwise provide.

6.2 Form of Distribution. The distribution to the Participant shall be made in cash either (a) in a lump sum distribution or (b) in up to twenty (20) consecutive quarterly installments, as elected by the Participant. Each quarterly installment shall be equal to the remaining value of the Participant's Account being distributed multiplied by a fraction, the numerator of which is 1 and the denominator of which is the number of quarterly installments remaining to be paid. A Participant may elect, on a form provided by the Committee, the form in which his Participant's Account is to be distributed under this Section 6.2; provided, however, that no such election, or change in any election, shall be given effect unless it is made at least one year prior to the date on which distribution of the Participant's Account commences. In the event that a Participant fails to make an election, then distribution shall be made in the form of a lump sum.

6.3 Distribution to Beneficiary. If a Participant dies before distribution of the entire vested portion of the Participant's Accounts has been made to him, the remaining vested portion of his Participant's Account, less applicable withholding taxes, shall be distributed to the Participant's Beneficiaries in a lump sum distribution in cash.

ARTICLE 7

ADMINISTRATION

7.1 Administrative Committee. The Company shall appoint a Committee for the administration of the Plan consisting of one or more persons. Any Committee member may, but need not, be an officer or employee of any Participating Company and each shall serve until his successor shall be appointed in like manner. Any member of the Committee may resign by delivering his written resignation to the Company. The Company may remove any member of the Committee at any time.

7.2 Powers and Duties. The Committee generally shall be responsible for the management, operation, interpretation and administration of the Plan. The Committee shall:

(a) Establish procedures for allocation of responsibilities of the Plan which are not allocated herein;

(b) Determine the names of those officers and other executives who are eligible to participate and such other matters as may be necessary to enable payment under the Plan;

(c) Construe all terms, provisions, conditions and limitations of the Plan and make all factual determinations relating to the Plan;

(d) Correct any defect, supply any omission or reconcile any inconsistency that may appear in the Plan and make all factual determinations relating to the Plan;

(e) Determine the amount, manner and time of payment of any benefits hereunder and prescribe procedures to be followed by Participants to obtain benefits; and

(f) Perform such other functions and take such other actions as may be required by the Plan or as may be necessary or advisable to accomplish the purposes of the Plan.

The Company shall furnish the Committee with all data and information available which the Committee may reasonably require in order to perform its functions hereunder. The Committee may rely without question upon any such data or information furnished by the Company. Any interpretation or other decision made by the Committee shall be final, binding and conclusive upon all persons in the absence of clear and convincing evidence that the Committee acted arbitrarily and capriciously.

7.3 Agents. The Committee may appoint a Secretary who may, but need not, be a member of the Committee, and may employ such agents for clerical and other services, and such counsel, accountants and other professional advisors as may be required for the purpose of administering the Plan. The Committee may rely on all tables, valuations, reports, certificates and opinions furnished by its agents.

7.4 Procedures. A majority of the Committee members shall constitute a quorum for the transaction of business. No action shall be taken except upon a majority vote of the Committee. An individual shall not vote or decide upon any matter relating solely to himself or vote in any case in which his individual right or claim to any benefit under the Plan is particularly involved. In any case in which a Committee member is so disqualified to act, and the remaining members cannot agree on an issue, the Company shall appoint a temporary substitute member to exercise all of the powers of the disqualified member concerning the matter in which he is disqualified.

7.5 Claims Procedure. In the event that any Participant or Beneficiary claims to be entitled to benefits under the Plan and the Committee determines that such claim should be denied in whole or in part, the Committee shall, in writing, notify such claimant within ninety (90) days of receipt of such claim that his claim has been denied, setting forth the specific reasons for such denial. Such notification shall be written in a manner reasonably expected to be understood by such Participant or Beneficiary and shall set forth the pertinent sections of the Plan relied on, and where appropriate, an explanation of how the claimant can obtain review of such denial.

Within sixty (60) days after the mailing or delivery by the Committee of such notice, such claimant may request, by mailing or delivery of written notice to the Committee, a review and/or hearing by the Committee of the decision denying the claim. If the claimant fails to request such a review and/or hearing within such sixty (60) day period, it shall be conclusively determined for all purposes of this Plan that the denial of such claim by the Committee is correct. If such claimant requests a hearing within such sixty (60) day period, the Committee shall designate a time (which time shall not be less than seven (7) nor more than sixty (60) days from the date of such claimant's notice to the Committee) and a place for such hearing, and shall promptly notify such claimant of such time and place. A claimant or his authorized representative shall be entitled to inspect all pertinent Plan documents and to submit issues and comments in writing. If only a review is requested, the claimant shall have sixty (60) days after filing a request for review to submit additional written material in support of the claim. After such review and/or hearing, the Committee shall promptly determine whether such denial of the claim was correct and shall notify such claimant in writing of its determination with sixty (60) days after such review and/or hearing or after receipt of any additional information submitted.

7.6 Indemnification. The Participating Companies shall indemnify each Committee member against any liability or loss sustained by reason of any act or failure to act made in good faith, including, but not limited to, those in reliance on certificates, reports, tables, opinions or other communications from any company or agents chosen by the Committee in good faith. Such indemnification shall include attorneys' fees and other costs and expenses reasonably incurred in defense of any action brought by reason of any such act or failure to act.

7.7 Participants Bound. Any action with respect to the Plan taken by the Committee, any Participating Company or the Trustees or any action authorized by or taken at the direction of the Committee, any Participating Company or the Trustees shall be conclusive upon all Participants and beneficiaries entitled to benefits under the Plan.

7.8 Receipts and Release. Any payment to any Participant or beneficiary in accordance with the provisions of the Plan shall, to the extent thereof, be in full satisfaction of all claims against the Participating Companies, the Committee and the Trustee under the Plan, and the Committee may require such Participant or beneficiary, as a condition precedent to such payment, to execute a receipt and release to such effect. If any Participant or beneficiary is determined by the Committee to be incompetent by reason of physical or mental disability (including minority) to give a valid receipt and release, the Committee may cause the payment or payments becoming due to such person to be made to another person for his or her benefit without responsibility on the part of the Committee, the Participating Companies or the Trustee to follow the application of such funds.

ARTICLE 8

MISCELLANEOUS

8.1 Unfunded Plan. The obligations of the Participating Companies under this Plan shall be paid from the general assets of the Participating Companies and not from any particular fund, with each Participating Company being solely responsible for payment of the benefits of its employees and their beneficiaries. It is intended that this Plan shall constitute an "unfunded" plan for a select group of management or highly compensated employees under the Employee Retirement Income Security Act of 1974, as amended. If a Participating Company purchases any life insurance policies, or makes any other investments, either directly or through the Trust, such policies (and any amounts invested by the Participating Company therein) and any other investments of the Participating Company or the Trust shall be subject to the claims of the Participating Company's creditors. Nothing contained in this Plan shall be interpreted to grant to any Participant or Beneficiary, any right, title or interest in any property of the Company or the Trust.

8.2 Successor Plan. In the event that a Participant ceases to be an Eligible Person, but becomes an Eligible Person under any non-qualified deferred compensation plan maintained by a Participating Company (the "Successor Plan"), then the Participant's Accounts under this Plan shall, in the discretion of the Committee, cease to be governed by this Plan and instead shall be governed by the provisions of the Successor Plan.

8.3 Impact on Other Participant Benefits. This Plan shall not be construed to impact or cause the denial of any benefits to which any Participant may be entitled under any other welfare or benefit plan of any Participating Company.

8.4 Other Plans. Payments made to Participants under this Plan shall not be includable as salary or compensation for purposes of determining the amount of employee benefits under any other retirement, pension, profit-sharing or welfare benefit plans of the Participating Companies.

8.5 Tax Withholding. The Committee and/or the Trustees shall withhold from any contribution to, amounts accumulated under, or distribution from, the Plan or Trust such amounts as the Committee or the Trustees shall be determined to be appropriate for Federal or State local taxes attributable thereto.

8.6 Governing Law. To the extent not preempted by the laws of the United States, the construction, validity and administration of the Plan shall be governed by the laws of the state Florida without reference to the principles of conflicts of law therein.

8.7 No Assignment. The right to receive payment of any benefits under the Plan shall not be transferred, assigned or pledged.

8.8 Severability. If any provision of this Plan is found, held or deemed to be void, unlawful or unenforceable under any applicable statute or other controlling law, the remainder of the Plan shall continue in full force and effect.

8.9 Headings and Subheadings. Headings and subheadings in this Plan are for reference only. In the event of a conflict between a heading or subheading and the content of an article or paragraph, the content shall control.

8.10 Gender. The masculine, as used herein, shall be deemed to include the feminine and the singular to include plural, except where the context requires a different construction.

8.11 Amendment and Termination. This Plan may be amended or terminated in any respect at any time by the Company; provided, however, that no amendment or termination of the Plan shall be effective to reduce any benefits that accrue before the adoption of such amendment or termination. In the event that the Plan is terminated, then distributions shall be made to all Participants and Beneficiaries of the vested portion of their Participant's Account in a single lump sum payment as soon as practicable following such termination.

8.12 No Employment Contract. This Plan does not constitute a contract of employment or impose on any Participant or any Participating Company any obligations to retain the Participant as an employee, to change the status of the Participant's employment, or to change the Participating Company's policies regarding termination of employment.

8.13 Right of Offset. The Company shall have the right to offset against any benefits payable to any Participant or the Beneficiary if any Participant under the Plan, any amounts payable by the Participant to the Company.

IN WITNESS WHEREOF, each Participating Company has caused the Plan to be executed the day and year first above written.

PEDIATRIX MEDICAL GROUP, INC.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Vice President and
Chief Financial Officer

PEDIATRIX MEDICAL GROUP OF
FLORIDA, INC.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP, P.C. (WV)

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP, P.C. (VA)

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP, S.P. (PR)

By: /s/ Carlos Perez, M.D.

Carlos Perez, M.D. Managing Partner

PEDIATRIX MEDICAL GROUP, P.A. (NJ)

By: /s/ Kerry Weiss, M.D.

Kerry Weiss, M.D., President

PEDIATRIX MEDICAL GROUP OF
KANSAS, P.A.

By: /s/ Eduardo Otero, M.D.

Eduardo Otero, M.D., President

PEDIATRIX MEDICAL GROUP
NEONATOLOGY
AND PEDIATRIC INTENSIVE CARE
SPECIALISTS OF NEW YORK, P.C.

By: /s/ Willard Helmuth, M.D.

Willard Helmuth, M.D., President

PEDIATRIX MEDICAL GROUP OF
CALIFORNIA, P.C.

By: /s/ Carlos Perez, M.D.

Carlos Perez, M.D., President

PEDIATRIX MEDICAL GROUP OF
ILLINOIS, P.C.

By: /s/ Brian Udell, M.D.

Brian Udell, M.D., President

PEDIATRIX MEDICAL GROUP OF
MICHIGAN, P.C.

By: /s/ Brian Udell, M.D.

Brian Udell, M.D., President

PEDIATRIX MEDICAL GROUP OF
PENNSYLVANIA, P.C.

By: /s/ Brian Udell, M.D.

Brian Udell, M.D., President

PEDIATRIX MEDICAL GROUP OF
TEXAS, P.A.

By: /s/ Stephen Haskins, M.D.

Stephen Haskins, M.D., President

PEDIATRIX MEDICAL GROUP OF
OHIO, CORP.

By: /s/ Brian Udell, M.D.

Brian Udell, M.D., President

NEONATAL SPECIALISTS, LTD. (AZ)

By: /s/ Brian Udell, M.D.

Brian Udell, M.D., President

PEDIATRIX MEDICAL GROUP OF
COLORADO, P.C.

By: /s/ Eric Kurzweil, M.D.

Eric Kurzweil, M.D., President

ST. JOSEPH NEONATOLOGY
CONSULTANTS, P.A.

By: /s/ Stephen Haskins, M.D.

Stephen Haskins, M.D., President

PERNOLL MEDICAL GROUP OF
NEVADA, LTD. D/B/A PEDIATRIX
MEDICAL GROUP OF NEVADA

By: /s/ Marcia Pernoll, M.D.

Marcia Pernoll, M.D., President

PEDIATRIX MEDICAL GROUP OF
SOUTH CAROLINA, P.A. (n/k/a PMGSC, P.A.)

By: /s/ Brian Udell, M.D.

Brian Udell, M.D., President

PIEDMONT PERINATAL, P.A.
(n/k/a PEDIATRIX MEDICAL GROUP OF SOUTH
CAROLINA, P.A.)

By: /s/ Brian Udell, M.D.

Brian Udell, M.D., President

FLORIDA REGIONAL NEONATAL
ASSOCIATES, P.A.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP, INC.
(Utah)

By: /s/ Nick E. Harper, M.D.

Nick E. Harper, M.D., President

PEDIATRIX MEDICAL GROUP OF
NEW MEXICO, P.C.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP OF
WASHINGTON, INC., P.C.

By: /s/ Lawrence M. Mullen

Lawrence M. Mullen, Treasurer

PEDIATRIX MEDICAL GROUP OF
INDIANA, P.C.

By: /s/ Brian Udell, M.D.

Brian Udell, M.D., President

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
(in thousands, except for per share data)				
Basic:				
Net income applicable to common stock	\$ 7,107	\$ 4,768	\$ 13,226	\$ 9,076
Weighted average number of common shares outstanding	15,226	15,001	15,192	14,944
Basic net income per share	\$.47	\$.32	\$.87	\$.61
Diluted:				
Net income applicable to common stock	\$ 7,107	\$ 4,768	\$ 13,226	\$ 9,076
Weighted average number of common shares outstanding	15,226	15,001	15,192	14,944
Weighted average number of dilutive common stock equivalents	674	677	679	667
Weighted average number of common and common equivalent shares outstanding	15,900	15,678	15,871	15,611
Diluted net income per share	\$.45	\$.30	\$.83	\$.58

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AT JUNE 30, 1998 AND THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

	1000	
6-MOS		
	DEC-31-1998	
	JAN-1-1998	
	JUN-30-1998	
		1753
		0
		46,219
		0
		0
		49,538
		10,644
		0
		230,806
	33,638	
		12,450
	0	
		152
		179,466
230,806		
		0
	83,952	
		0
		62,045
	(491)	
	0	
	351	
		22,047
		8,821
	13,226	
	0	
	0	
		0
		13,226
		0.87
		0.83

AMOUNTS FOR RECEIVABLES AND PROPERTY, PLANT AND EQUIPMENT ARE NET OF ANY ALLOWANCES AND ACCUMULATED DEPRECIATION.