AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 23, 1996

REGISTRATION NO. 333-07125

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

FLORIDA	8099	65-0271219
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

1455 NORTHPARK DRIVE
FT. LAUDERDALE, FLORIDA 33326
(954) 384-0175
(Address, including zip code, and telephone number, including area code, of registrant's principal executive office)

ROGER J. MEDEL, M.D.
PRESIDENT AND CHIEF EXECUTIVE OFFICER
PEDIATRIX MEDICAL GROUP, INC.
1455 NORTHPARK DRIVE
FT. LAUDERDALE, FLORIDA 33326
(954) 384-0175
(Name, address, including zip code, and telephone number, including area code, of agent for service)

COPIES OF COMMUNICATIONS TO:

REBECCA R. ORAND, ESQ.	JOHN J. HUBER, ESQ.
GREENBERG, TRAURIG, HOFFMAN, LIPOFF, ROSEN & QUENTEL, P.A.	LATHAM & WATKINS
1221 BRICKELL AVENUE	SUITE 1300
MIAMI, FLORIDA 33131	1001 PENNSYLVANIA AVENUE, N.W.
(305) 579-0557	WASHINGTON, D.C. 20004
	(202) 637-2200

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. / /

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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PEDIATRIX MEDICAL GROUP, INC.

CROSS REFERENCE SHEET
FURNISHED PURSUANT TO ITEM 501(B) OF REGULATION S-K

FORM S-1 ITEM NUMBER AND CAPTION	LOCATION OR CAPTION IN PROSPECTUS
1. Forepart of the Registration Statement and Outside Front Cover Page of Prospectus.....	Facing Page of the Registration Statement; Cross-Reference Sheet; Outside Front Cover Page
2. Inside Front and Outside Back Cover Pages of Prospectus.....	Inside Front Cover Page; Outside Back Cover Page
3. Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges.....	Prospectus Summary; Risk Factors
4. Use of Proceeds.....	Use of Proceeds
5. Determination of Offering Price.....	Underwriting
6. Dilution.....	*
7. Selling Security Holders.....	Principal and Selling Shareholders
8. Plan of Distribution.....	Underwriting
9. Description of Securities to be Registered...	Description of Capital Stock; Price Range of Common Stock and Dividends
10. Interests of Named Experts and Counsel.....	*
11. Information with Respect to the Registrant...	
(a) Description of Business.....	Prospectus Summary; The Company; Risk Factors; Management's Discussion and Analysis of Financial Condition and Results of Operations; Business
(b) Description of Property.....	Business
(c) Legal Proceedings.....	Business
(d) Market Price of and Dividends on the Registrant's Common Equity and Related Shareholder Matters.....	Prospectus Summary; Price Range of Common Stock and Dividends; Description of Capital Stock; Price Range of Common Stock and Dividends; Shares Eligible for Future Sale
(e) Financial Statements.....	Consolidated Financial Statements; Unaudited Pro Forma Condensed Consolidated Information
(f) Selected Financial Data.....	Selected Consolidated Financial Data
(g) Supplementary Financial Information.....	*
(h) Management's Discussion and Analysis of Financial Condition and Results of Operations.....	Management's Discussion and Analysis of Financial Condition and Results of Operations
(i) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....	*
(j) Directors and Executive Officers.....	Management; Principal and Selling Shareholders
(k) Executive Compensation.....	Management
(l) Security Ownership of Certain Beneficial Owners and Management.....	Principal and Selling Shareholders
(m) Certain Relationships and Related Transactions.....	Management
12. Disclosure of Commission Position on Indemnification for Securities Act Liabilities.....	*

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* Not applicable or answer thereto is negative.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO THE REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION

Dated July 23, 1996

5,000,000 SHARES

[PEDIATRIX LOGO]

COMMON STOCK

Of the 5,000,000 shares of Common Stock offered hereby (the "Shares"), 1,500,000 shares are being offered by Pediatrix Medical Group, Inc. (the "Company"), and 3,500,000 shares are being offered by certain shareholders of the Company (the "Selling Shareholders"). See "Principal and Selling Shareholders."

The Common Stock is included in the Nasdaq National Market under the symbol "PEDX." On July 22, 1996, the last reported sales price for the Common Stock on the Nasdaq National Market was $41.00 per share. See "Price Range of Common Stock and Dividends."

SEE "RISK FACTORS" BEGINNING ON PAGE 8 FOR A DISCUSSION OF CERTAIN INFORMATION THAT SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS TO COMPANY(2)	PROCEEDS TO SELLING SHAREHOLDERS
PER SHARE	$	$	$	$
TOTAL(3)	$	$	$	$

(1) The Company and the Selling Shareholders have agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."

(2) Before deducting expenses payable by the Company estimated at $600,000.

(3) Certain Selling Shareholders have granted the Underwriters a 30-day option to purchase up to an additional 750,000 shares to cover over-allotments, if any. If all such shares are purchased, the total price to public, underwriting discounts and commissions, proceeds to Company and proceeds to Selling Shareholders will be $, $, $ and $, respectively. See "Underwriting."

The Shares are offered by the several Underwriters named herein when, as and if received and accepted by them, subject to their right to reject any order in whole or in part and subject to certain other conditions. It is expected that delivery of the Shares will be made in New York, New York, on or about , 1996.

DEAN WITTER REYNOLDS INC.
ALEX. BROWN & SONS
INCORPORATED

DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION

HAMBRECHT & QUIST
SMITH BARNEY INC.

, 1996

[MAP OF THE U.S.]

The graphic is a map of the United States which designates the locations of the neonatal intensive care units, pediatric intensive care units and pediatrics clinics where the Company provides physician management services.

IN CONNECTION WITH THIS OFFERING, CERTAIN UNDERWRITERS AND SELLING GROUP MEMBERS (IF ANY) MAY ENGAGE IN PASSIVE MARKET MAKING TRANSACTIONS IN THE COMMON STOCK ON THE NASDAQ NATIONAL MARKET IN ACCORDANCE WITH RULE 10B-6A UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "EXCHANGE ACT"). SEE "UNDERWRITING."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION AND REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, THE SELLING SHAREHOLDERS OR THE UNDERWRITERS. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE REGISTERED SECURITIES TO WHICH IT RELATES. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL.

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AVAILABLE INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-1 (together with all amendments, exhibits and schedules thereto, the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act") with respect to the Common Stock offered hereby. This Prospectus, which constitutes part of the Registration Statement, omits certain information contained in the Registration Statement and the exhibits and schedules thereto on file with the Commission pursuant to the Securities Act and the rules and regulations of the Commission thereunder. Statements contained in this Prospectus as to the contents of any contract or other document are not necessarily complete, and, in each instance, reference is made to the contract or document filed as an exhibit to the Registration Statement and incorporated by reference herein. The Company is subject to the information requirements of the Exchange Act and in accordance therewith files reports, proxy statements and other information with the Commission (collectively, "Exchange Act Filings"). The Registration Statement, including exhibits and schedules thereto, as well as the Company's Exchange Act Filings may be obtained from the Commission's principal office at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following regional offices of the Commission: Seven World Trade Center, New York, New York 10048, and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such materials may be obtained from the public reference section of the Commission at its Washington address upon payment of the fees prescribed by the Commission, or may be examined without charge at the offices of the Commission, or accessed through the Commission's Internet address at http://www.sec.gov.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information, including "Risk Factors," and the Consolidated Financial Statements and notes thereto included elsewhere in this Prospectus. Unless otherwise indicated, the information in this Prospectus assumes no exercise of the Underwriters' over-allotment option. Unless the context otherwise requires, references in this Prospectus to the Company or Pediatrix include Pediatrix Medical Group, Inc., its predecessor and its subsidiaries and the professional associations and partnerships (the "PA Contractors") which are separate legal entities that contract with the Company to provide physician services in certain states and Puerto Rico, and references to PMG refer only to Pediatrix Medical Group, Inc.

THE COMPANY

Pediatrix is the nation's leading provider of physician management services to hospital-based neonatal intensive care units ("NICUs"). NICUs provide medical care to newborn infants with low birth weight and other medical complications, and are staffed with specialized pediatric physicians, known as neonatologists. Based upon its own market research, knowledge of the health care industry and experience in neonatology, the Company believes that it is the only provider of NICU physician management services that markets its services on a national basis. The Company also provides physician management services to hospital-based pediatric intensive care units ("PICUs"), units which provide medical care to critically ill children and are staffed with specially-trained pediatricians, and to pediatrics departments in hospitals. As of June 15, 1996, the Company provided services to 58 NICUs, eight PICUs and three pediatrics departments in 14 states and Puerto Rico and employed or contracted with 162 physicians.

The Company staffs and manages NICUs and PICUs in hospitals, providing the physicians, professional management and administrative support, including physician billing and reimbursement expertise and services. The Company's policy is to provide 24-hour coverage at its NICUs and PICUs with on-site or on-call physicians. As a result of this policy, physicians are available to provide continuous 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.

Pediatrix established its leading position in physician management services to NICUs by developing a comprehensive care model and management and systems infrastructure that address the needs of patients, hospitals, payor groups and physicians. Pediatrix addresses the needs of (i) patients by providing continuous, comprehensive, professional quality care, (ii) hospitals by recruiting, credentialing, and retaining neonatologists and hiring related staff to operate NICUs in a cost-effective manner thereby relieving hospitals of the financial and administrative burdens of operating the NICUs, (iii) payor groups by providing cost-effective care to patients, and (iv) physicians by providing administrative support, including billing and reimbursement expertise and services, to enable them to focus on providing care to patients, and by offering an opportunity for career advancement within Pediatrix.

Of the approximately four million babies born in the United States in 1994, approximately 10% required neonatal treatment. Demand for neonatal services is primarily due to premature births, which are often characterized by low birth weight and other medical complications. A majority of high-risk mothers whose births 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.

The Company's objective is to enhance its position as the nation's leading provider of physician management services to NICUs by adding new units and increasing same unit growth. The key elements of the Company's strategy are as follows:

- Continue to focus exclusively on neonatology and pediatrics
- Acquire well-established neonatal physician group practices
- Develop regional networks to facilitate relationships with third party payors
- Increase same unit growth
- Assist hospitals by promoting cost-effective, quality care
- Continue to develop new business models to meet the challenges of managed care

Since its initial public offering in September 1995 (the "IPO"), the Company has completed six acquisitions (the "Recent Acquisitions") of neonatal physician group practices, which (i) added 24 NICUs, four PICUs and one pediatrics department, (ii) added 50 physicians, (iii) established the Company in three new markets, Denver, Phoenix and El Paso and (iv) expanded the Company's presence in Southern California. To support this growth and to facilitate the integration of acquisitions, the Company has enhanced its management infrastructure. See "Recent Developments."

The Company's net patient service revenue increased from $10.5 million in 1991 to $43.9 million for the year ended December 31, 1995 ($69.4 million for the year ended December 31, 1995 on a pro forma basis), representing a compound annual growth rate of 43.0% (60.4% on a pro forma basis). Over the same period, net income increased from $1.8 million in 1991 to $6.7 million for the year ended December 31, 1995, representing a compound annual growth rate of 38.1%.

The Company's net patient service revenue was $17.8 million for the three months ended June 30, 1996, as compared with $9.1 million for the same period in 1995, representing an increase of 95.6%. Net income increased 150.0% to $3.0 million for the three months ended June 30, 1996 as compared with $1.2 million for the same period in 1995. Net income per share increased 100.0% to $0.22 per share for the three months ended June 30, 1996 as compared with $0.11 per share for the same period in 1995. The Company's net patient service revenue was $33.9 million for the six months ended June 30, 1996, as compared with $18.0 million for the same period in 1995, representing an increase of 88.3%. Net income increased 133.3% to $5.6 million for the six months ended June 30, 1996 as compared with $2.4 million for the same period in 1995. Net income per share increased 95.2% to $0.41 per share for the six months ended June 30, 1996 as compared with $0.21 per share for the same period in 1995.

THE OFFERING

Common Stock Offered by the Company.....	1,500,000 shares
Common Stock Offered by the Selling Shareholders.....	3,500,000 shares
Common Stock Outstanding After the Offering.....	14,576,170 shares(1)
Use of Proceeds by the Company.....	Estimated net proceeds of $69.2 million to the Company will be used for possible future acquisitions, working capital requirements for new hospital contracts and general corporate purposes. See "Use of Proceeds."
Nasdaq National Market Symbol.....	"PEDX"

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(1) Excludes (i) 2,430,954 shares of Common Stock reserved for issuance under the Company's amended and restated stock option plan (the "Stock Option Plan"), of which options for an aggregate of 1,941,029 shares of Common Stock were issued and outstanding as of June 15, 1996 and options for an aggregate of 444,127 shares of Common Stock were exercisable as of June 15, 1996, and (ii) 1,000,000 shares of Common Stock reserved for issuance under the Company's 1996 Qualified Employee Stock Purchase Plan and 1996 Non-Qualified Employee Stock Purchase Plan (collectively the "Stock Purchase Plans"), none of which had been issued as of June 15, 1996. See "Management -- Stock Option Plans."

SUMMARY CONSOLIDATED FINANCIAL DATA

	YEARS ENDED DECEMBER 31,						THREE MONTHS ENDED MARCH 31,		
					1995			1996	
	1991	1992	1993	1994	ACTUAL	PRO FORMA(1)	1995	ACTUAL	PRO FORMA(2)
	(IN THOUSANDS, EXCEPT PER SHARE AND OTHER OPERATING DATA)								
CONSOLIDATED INCOME STATEMENT DATA:									
Net patient service revenue	$10,497	$15,438	$23,570	$32,779	$43,860	$69,423	$8,886	$16,127	$21,342
Operating expenses:									
Salaries and benefits	6,291	9,585	14,852	20,723	29,545	47,204	6,270	10,796	14,216
Supplies and other operating expenses	1,044	1,743	2,230	2,774	3,451	8,568	607	1,213	2,017
Depreciation and amortization	39	60	95	244	363	1,763	74	233	460
Nonrecurring expense(3)	--	15,400	--	--	--	--	--	--	--
Total operating expenses	7,374	26,788	17,177	23,741	33,359	57,535	6,951	12,242	16,693
Income (loss) from operations	3,123	(11,350)	6,393	9,038	10,501	11,888	1,935	3,885	4,649
Investment income	81	160	45	208	804	537	107	499	92
Interest expense	--	(49)	(105)	(90)	(117)	(124)	(28)	(35)	(35)
Other income (expense), net	--	45	(17)	--	--	58	--	--	--
Income (loss) before income taxes	3,204	(11,194)	6,316	9,156	11,188	12,359	2,014	4,349	4,706
Income tax provision (benefit)	1,358	(3,536)	2,166	3,749	4,475	5,262	805	1,737	1,904
Net income (loss)(4)	$ 1,846	$(7,658)	$ 4,150	$ 5,407	$ 6,713	$ 7,097	$1,209	$ 2,612	$ 2,802
Net income per common and common equivalent share(5)				$ .47	$ .55	$ .58	$ .10	$ .19	$ .20
Weighted average shares outstanding(5)				11,430	12,216	12,216	11,614	13,726	13,726
OTHER OPERATING DATA:									
Number of units at end of period:									
NICU	6	13	18	22	37		23	47	
PICU	2	2	3	5	4		5	7	
Other pediatric services	--	--	1	1	2		2	3	
Number of physicians at end of period	25	42	52	75	114		77	131	
Number of births(6)	16,127	23,289	32,532	39,541	59,186		10,991	25,337	
NICU admissions	2,563	3,600	4,777	5,823	7,611		1,528	2,798	
NICU patient days	N/A	N/A	59,024	64,615	87,672		17,248	33,424	

	MARCH 31, 1996		
	ACTUAL	PRO FORMA(7)	PRO FORMA AS ADJUSTED(8)
	(IN THOUSANDS)		
CONSOLIDATED BALANCE SHEET DATA:			
Cash and cash equivalents	$7,084	$7,084	$ 76,326
Working capital	39,717	21,267	90,509
Total assets	77,371	77,956	147,198
Total liabilities	11,809	12,394	12,394
Long-term debt, including current maturities	799	799	799
Stockholders' equity	65,562	65,562	134,804

(1) Gives effect to the Recent Acquisitions and the acquisition of Neonatal Pediatric Intensive Care Medical Group, Inc. ("NAPIC") as if such transactions had occurred as of January 1, 1995. See "Recent Developments" and "Unaudited Pro Forma Condensed Consolidated Information."

(2) Gives effect to the Recent Acquisitions as if such transactions had occurred as of January 1, 1995. See "Recent Developments" and "Unaudited Pro Forma Condensed Consolidated Information."

(3) Reflects nonrecurring payments aggregating $15.4 million to certain of the Company's physicians as bonuses for prior services and for covenants not to compete occuring at the time of the investment in the Company by Summit Ventures III, L.P. and Summit Investors II, L.P. (collectively "Summit") in 1992.

(4) Immediately prior to the consummation of the IPO, the outstanding shares of redeemable cumulative convertible preferred stock (the "Convertible Preferred Stock") were converted into 4,571,063 shares of Common Stock and unpaid dividends on the Convertible Preferred Stock of approximately $3.7 million were forgiven pursuant to the terms of the Series A Preferred Stock Purchase Agreement, dated as of October 26, 1992. Upon conversion, such amounts were credited to the common stock and additional paid-in capital accounts. The net income (loss) amounts do not include accrued and unpaid dividends with respect to the Convertible Preferred Stock.

(5) Such amounts represent net income per common share and common equivalent share, pro forma, to give effect to the conversion of the Convertible Preferred Stock, which was not determined to be a Common Stock equivalent, into Common Stock in connection with the IPO for 1994 and 1995. The net income per common share is computed based upon the weighted average number of shares of Common Stock and Common Stock equivalents, including the number of shares of Common Stock issuable upon conversion of the Convertible Preferred Stock, outstanding during the period. Common Stock issued by the Company during the 12 months immediately preceding the initial filing of the registration statement relating to the IPO, plus Common Stock equivalents relating to the grant of Common Stock options during the same period, have been included in the calculation of weighted average number of Common Stock equivalents outstanding for 1994 and 1995, using the treasury stock method and the IPO price of $20 per share.

(6) Represents number of births at the hospitals with which the Company provided physician management services during the periods indicated.

(7) Adjusted to give effect to the acquisitions consummated in the second quarter of 1996 (the "1996 Second Quarter Acquisitions") described in "Recent Developments" and "Unaudited Pro Forma Condensed Consolidated Information," as if all of these transactions occurred as of March 31, 1996.

(8) Adjusted to give effect to (i) the sale of 1,500,000 shares of Common Stock offered hereby by the Company and the application of the estimated net proceeds therefrom, as described under "Use of Proceeds" and (ii) the 1996 Second Quarter Acquisitions as if all of these transactions occurred as of March 31, 1996. See "Recent Developments" and "Unaudited Pro Forma Condensed Consolidated Information."

RISK FACTORS

Prospective investors should carefully consider the following risk factors, in addition to the other information contained in this Prospectus, in evaluating an investment in the Shares offered hereby. This Prospectus contains certain statements of a forward-looking nature relating to future events or the future financial performance of the Company. Prospective investors are cautioned that such statements are only predictions and that actual events or results may differ materially. In evaluating such statements, prospective investors should specifically consider the various factors identified in this Prospectus, including the matters set forth below, which could cause actual results to differ materially from those indicated by such forward-looking statements.

Health Care Regulatory Environment Could Increase Restrictions on the Company. The health care industry and physicians' medical practices are highly regulated. Neonatal and other health care services that the Company offers and proposes to offer are subject to extensive federal and state laws and regulations governing matters such as licensure and certification of facilities and personnel, conduct of operations, audit and retroactive reimbursement policies, adjustment of prior government billings and prohibitions on payments for the referral of business and self referrals. Failure to comply with these laws, or a determination that in the past the Company has failed to comply with these laws, could have a material adverse effect on the Company's financial condition and results of operations. There can be no assurance that the health care regulatory environment will not change so as to restrict the Company's existing operations or limit the expansion of its business. Changes in government regulation could also impose new requirements, involving compliance costs which cannot be recovered through price increases. See "Business -- Government Regulation."

Reliance upon Government Programs; Possible Reduction in Reimbursement. Approximately 26%, 31% and 30% of the Company's net patient service revenue in 1994, 1995 and the three months ended March 31, 1996, respectively, was derived from payments made by government-sponsored health care programs (principally Medicaid). Increasing budgetary pressures may lead to reimbursement reductions or limits, reductions in these programs or elimination of coverage for certain individuals or treatments under these programs. Federal legislation could result in a reduction of Medicaid funding or an increase in state discretionary funding through block grants, or a combination thereof. State Medicaid waiver requests if granted by the federal government could increase discretion, or reduce coverage of or funding for certain individuals or treatments under the Medicaid program, in the absence of new federal legislation. Increased state discretion in Medicaid, coupled with the fact that Medicaid expenditures comprised a substantial and growing share of state budgets, could lead to significant reductions in reimbursement. In addition, these programs generally reimburse on a fee schedule basis, rather than a charge-related basis. Therefore, the Company generally cannot increase its revenues by increasing the amount it charges for services provided. To the extent the Company's costs increase, the Company may not be able to recover such cost increases from government reimbursement programs. In various states, Medicaid managed care is encouraged and may become mandated. In such systems health maintenance organizations ("HMOs") bargain for reimbursement with competing providers and contract with the state to provide benefits to Medicaid enrollees. Such systems are intended and expected to reduce Medicaid reimbursement of providers. Legislation enacted in states could result in reduced payments to the Company for Medicaid patients. Additionally, Proposition 187, which was adopted by referendum in California, but has been enjoined by a California court, may limit the access by illegal aliens to Medicaid funds in California. In the event similar legislation is passed in other states with large illegal alien populations, such as Arizona and Florida, the Company's ability to collect for medical services rendered to such patients could be adversely affected. Changes in government-sponsored health care programs which result in the Company being unable to recover cost increases through price increases or otherwise could have a material adverse effect on the Company's financial condition and results of operations. Because of cost containment measures and market changes in non-governmental insurance plans, the Company may not be able to shift cost increases to, or recover them from, non-governmental payors. In addition, funds received under government 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 "Business -- Government Regulation."

State Laws Regarding Prohibition of Corporate Practice of Medicine. Business corporations, such as PMG, are generally not permitted under state law to practice medicine, exercise control over the medical judgments or decisions of physicians or engage in certain practices, such as fee splitting, with physicians. In the states in which the Company operates, other than Florida, there exist potential judicial or governmental interpretations which may extend the scope of the corporate practice of medicine and/or medical practices acts principles. For such reasons, or for business reasons, PMG contracts with the PA Contractors (which are owned by a licensed physician in the state) in such states, which in turn employ or contract with physicians to provide necessary physician services to hospitals with which the Company provides physician management services. There can be no assurance that regulatory authorities or other parties will not assert that PMG is engaged in the corporate practice of medicine or that the percentage fee arrangements between PMG and the PA Contractors constitute fee splitting or the corporate practice of medicine. If such a claim were successfully asserted in any jurisdiction, PMG could be subject to civil and criminal penalties under such jurisdiction's laws and could be required to restructure its contractual arrangements. Such results or the inability to successfully restructure contractual arrangements could have a material adverse effect on the Company's financial condition and results of operations. In states where PMG is not permitted to practice medicine, PMG performs only non-medical administrative services, does not represent to the public or its clients that it offers medical services and does not exercise influence or control over the practice of medicine by the physicians employed by the PA Contractors. Accordingly, the Company believes it is not in violation of applicable state laws relating to the corporate practice of medicine. See "Business -- Contractual Relationships."

Risk of Applicability of Anti-Kickback and Self-Referral Laws. Federal anti-kickback laws and regulations prohibit any knowing and willful offer, payment, solicitation or receipt of any form of remuneration, either directly or indirectly, in return for, or to induce (i) referral of an individual for a service for which payment may be made by Medicaid or another government-sponsored health care program or (ii) purchasing, leasing, ordering or arranging for, or recommending the purchase, lease or order of, any service or item for which payment may be made by a government-sponsored health care program. Violations of anti-kickback rules are punishable by monetary fines, civil and criminal penalties and exclusion from participation in Medicare and Medicaid programs. Effective January 1, 1995, federal physician self-referral laws became applicable to inpatient and outpatient hospital services. Subject to certain exceptions, these laws, such as "Stark I" and "Stark II," prohibit Medicare or Medicaid payments for services furnished by an entity pursuant to a referral by a physician who has a financial relationship with the entity through ownership, investment, or a compensation arrangement. Possible sanctions for violation of these laws include civil monetary penalties, exclusion from Medicare and Medicaid programs and forfeiture of amounts collected in violation of such prohibitions. Certain states in which the Company does business have similar anti-kickback, anti-fee splitting and self-referral laws, imposing substantial penalties for violations. The Company's relationships, including fee payments, among PA Contractors, hospital clients and physicians have not been examined by federal or state authorities under these laws and regulations. Although the Company believes it is in compliance with these laws and regulations, there can be no assurance that federal or state regulatory authorities will not challenge the Company's current or future activities under these laws. See "Business -- Strategy" and "Business -- Government Regulation."

Uncertainty Relating to Federal and State Legislation. Federal and state governments have recently focused significant attention on health care reform. Some of the proposals under consideration, or others which may be introduced, could, if adopted, have a material adverse effect on the Company's financial condition and results of operations. It is not possible to predict which, if any, proposal that has been or will be considered will be adopted. The Company cannot predict what effect any future legislation will have on the Company. There can be no assurance that any future state or federal legislation or other changes in the administration or interpretation of governmental health care programs will not adversely affect the Company's financial condition and results of operations. See "Business -- Government Regulation."

Risks Relating to Acquisition Strategy. The Company has expanded and intends to continue to expand its geographic and market penetration primarily through acquisitions of physician group practices. In implementing this acquisition strategy, the Company will compete with other potential acquirers, some of which may have greater financial or operational resources than the Company. 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. While the Company has recently completed the Recent Acquisitions, there can be no assurance that future acquisition candidates will be identified or that any future acquisition will be consummated or, if consummated, that any acquisition, including the Recent Acquisitions, will be integrated successfully into the Company's operations or that the Company will be successful in achieving its objectives. The Recent Acquisitions also involve numerous short and long term risks, including diversion of management's attention, failure to retain key personnel, amortization of acquired intangible assets and the effects of contingent earn-out payments. At March 31, 1996, approximately $17.7 million, or approximately 22.9% of total assets, was goodwill relating to acquisitions. Subsequent to March 31, 1996, the Company made three acquisitions, resulting in additional aggregate goodwill of approximately $18.5 million. The Company may also incur one-time acquisition expenses in connection with acquisitions. Consummation of acquisitions could result in the incurrence or assumption by the Company of additional indebtedness and the issuance of additional equity. The issuance of shares of Common Stock for an acquisition may result in dilution to shareholders. Also, as the Company enters into new geographic markets, the Company will be required to comply with laws and regulations of states that differ from those in which the Company's operations are currently conducted. There can be no assurance that the Company will be able to effectively establish a presence in these new markets. While many of the expenses arising from the Company's efforts in these areas may have a negative effect on operating results until such time, if at all, as these expenses are offset by increased revenues, there can be no assurance that the Company will be able to implement its acquisition strategy, or that this strategy will ultimately be successful. See "Use of Proceeds," "Unaudited Pro Forma Condensed Consolidated Information," "Business -- Strategy," "Business -- Marketing," and "Business -- Government Regulation."

Growth Strategy; Rapid Growth. Since the IPO, the Company has experienced rapid growth in its business and number of employees. Continued rapid growth may impair the Company's ability to efficiently provide its physician management services and to adequately manage its employees. While the Company is taking steps to manage rapid growth, future results of operations could be materially adversely affected if it is unable to do so effectively.

Quarterly Fluctuations in Operating Results; Potential Volatility. The Company has historically experienced and expects to continue to experience quarterly fluctuations in net patient service revenue and associated net income due to unit specific volume and cost fluctuations. The Company has a high level of fixed operating costs, including physician costs, and, as a result, is highly dependent on the volume of births and capacity utilization of NICUs and PICUs to sustain profitability. Results of operations for any quarter are not necessarily indicative of results of operations for any future period or for the full year. As a result, there can be no assurance that results of operations will not fluctuate significantly from period to period. There has been significant volatility in the market price of securities of health care companies that often has been unrelated to the operating performance of such companies. The Company believes that certain factors, such as legislative and regulatory developments, quarterly fluctuations in the actual or anticipated results of operations of the Company, lower revenues or earnings in the financial results of the Company than those anticipated by securities analysts, the overall economy and the financial markets, could cause the price of the Common Stock to fluctuate substantially.

Impact of Payor Discounts and Capitation Arrangements. The evolving managed care environment has created substantial cost containment pressures for the health care industry. The Company's business could be adversely affected by reductions in reimbursement amounts or rates, changes in services covered and similar measures which may be implemented by government sponsored health care programs or by other third party payors. The Company's contracts with payors and managed care organizations traditionally have been fee-for-service arrangements. At June 15, 1996, the Company had six shared-risk capitated arrangements with payors in Southern California, Arizona and Texas. These arrangements and any future arrangements may adversely affect the Company's financial condition and results of operations if the Company is unable to limit the risks associated with such arrangements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business -- Contractual Relationships" and "Business -- Government Regulation."

Professional Liability and Insurance. The Company's business entails an inherent risk of claims of physician professional liability. The Company periodically becomes involved as a defendant in medical malpractice lawsuits, some of which are currently ongoing, and is subject to the attendant risk of substantial damage awards. See "Business -- Proceedings." The Company's contracts with hospitals generally require the Company to indemnify certain parties for losses resulting from the negligence of physicians who are managed by or affiliated with the Company. While the Company believes it has adequate professional liability insurance coverage, 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 "Business -- Professional Liability and Insurance."

Collection and Reimbursement Risk. The Company assumes the financial risk related to collection, including the potential uncollectibility of accounts and delays attendant to reimbursement by third party payors, such as government programs, private insurance plans and managed care plans. Failure to manage adequately the collection risks and working capital demands could have a material adverse effect on the Company's financial condition and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business -- Contractual Relationships" and "Business -- Government Regulation."

Contract Administrative Fees; Cancellation or Non-renewal of Contracts. The Company's net patient service revenue is derived primarily from fee-for-service billings for patient care provided by its physicians and from administrative fees. Certain contracting hospitals that do not generate sufficient patient volume pay the Company administrative fees to assure the Company a minimum revenue level. If, at the time of renewal of the contracts with the hospitals currently paying administrative fees to the Company, such hospitals continue to generate insufficient patient volume but elect not to pay administrative fees to assure the Company a minimum revenue level, then the Company could either choose not to renew the contract or renew the contract with lower gross profit margins at such hospitals. Administrative fees include guaranteed payments to the Company, as well as fees paid to the Company by certain hospitals for administrative services performed by the Company's medical director at such hospital. Administrative fees accounted for 13%, 12% and 10% of the Company's net patient service revenue during 1994, 1995 and the three months ended March 31, 1996, respectively. The Company's contracts provide for approximately three-year terms and are generally terminable by the hospital upon 90 days' written notice. The Company has six contracts representing ten NICUs, five PICUs and one pediatrics department that have come up for renewal or are scheduled to be renewed in 1996. The administrative fees for these contracts aggregate approximately $3.2 million on an annual basis under their current terms. The Company has not been notified that these contracts will not be renewed and is currently providing services and receiving payment pursuant to the terms of such contracts. While the Company has in most cases been able to negotiate renewal of its contracts in the past, no assurance can be given that the Company's contracts with hospitals will not be canceled or will be renewed in the future or that the administrative fees will be continued. To the extent that the Company's contracts with hospitals are canceled or are not renewed or replaced with other contracts with at least as favorable terms, the Company's financial condition and results of operations could be adversely affected. See "Business -- Contractual Relationships."

Competition. 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. The Company believes that private and public reforms in the health care industry emphasizing cost containment and accountability will result in an increasing shift of NICU and related pediatric care from highly fragmented, individual or small practice neonatology providers to physician management companies. 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 those of the Company, may become competitors in providing management of neonatal and pediatric intensive care services to hospitals. Increased competition could have a material adverse effect on the Company's financial condition and results of operations. See "Business -- Competition."

Dependence on Qualified Neonatologists. The Company's business strategy is dependent upon its ability to recruit and retain qualified neonatologists. The Company has been able to compete with many types of health care providers, as well as teaching, research and governmental institutions, for the services of such

physicians. No assurance can be given that the Company will be able to continue to recruit and retain a sufficient number of qualified neonatologists who provide services in markets served by the Company on terms similar to its current arrangements. The inability to successfully recruit and retain physicians could adversely affect the Company's ability to service existing or new units at hospitals, or expand its business.

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

Dependence on PA Contractors. The Company has a management agreement with a PA Contractor in each state in which it operates except Florida. The agreements provide that the terms of the arrangements are permanent, subject only to termination by PMG and that the PA Contractor shall not terminate the agreement without PMG's prior written consent. Any disruption of the Company's relationships with the PA Contractors' relationships with contracting hospitals (including the determination that the PA Contractors' arrangements with PMG constitute the corporate practice of medicine) or any other event adverse to the PA Contractors could have a material adverse effect on the Company's financial condition and results of operations. See "Business -- Government Regulation" and "Business -- Contractual Relationships."

Shares Eligible for Future Sale; Possible Adverse Effect on Market Price. Upon completion of this offering, the Company will have 14,576,170 shares of Common Stock outstanding, based upon the number of shares outstanding as of June 15, 1996. There are 7,269,270 shares of Common Stock (the "Restricted Shares"), which are deemed "restricted securities" under Rule 144 under the Securities Act and are eligible for future sale in the public market at prescribed times pursuant to Rule 144 or the exercise of registration rights. In addition, as of June 15, 1996, the Company had (i) 2,430,954 shares of Common Stock reserved for issuance under the Stock Option Plan, of which options for an aggregate of 1,941,029 shares of Common Stock were issued and outstanding as of June 15, 1996 and options for an aggregate of 444,127 shares of Common Stock were exercisable as of June 15, 1996, and (ii) 1,000,000 shares of Common Stock reserved for issuance under the Stock Purchase Plans, none of which had been issued as of June 15, 1996. See "Management -- Stock Option Plans." Shares issued under the Stock Option Plan and Stock Purchase Plans will be freely tradeable unless acquired by affiliates of the Company, as defined in Rule 144 of the Securities Act. Sales of such shares in the public market, or the perception that such sales may occur, could adversely affect the market price of the Common Stock or impair the Company's ability to raise additional capital in the future. See "Shares Eligible for Future Sale" and "Underwriting."

Anti-Takeover Provisions; Possible Issuance of Preferred Stock. The Company's Articles of Incorporation and Bylaws contain provisions that could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire control of, the Company. These provisions establish certain advance notice procedures for nomination of candidates for election as directors and for shareholder proposals to be considered at shareholders' meetings and provide that only the Board of Directors may call special meetings of the shareholders. In addition, the Company's Articles of Incorporation authorize the Board of Directors to issue preferred stock ("Preferred Stock") without shareholder approval and upon such terms as the Board of Directors may determine. While no shares of Preferred Stock will be outstanding upon the consummation of this offering and the Company has no present plans to issue any shares of Preferred Stock, the rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of any holders of Preferred Stock that may be issued in the future. See "Description of Capital Stock."

THE COMPANY

Pediatrix is the nation's leading provider of physician management services to hospital-based NICUs. The Company also provides physician management services to hospital-based PICUs and pediatrics departments in hospitals. The Company staffs and manages NICUs and PICUs in hospitals, providing the physicians, professional management and administrative support, including physician billing and reimbursement expertise and services. As of June 15, 1996, the Company provided services to 58 NICUs, eight PICUs and three pediatrics departments in 14 states and Puerto Rico and employed or contracted with 162 physicians.

The Company's predecessor was incorporated in 1980 by its co-founders, Drs. Medel and Melnick, as a professional association under the name Melnick & Medel, M.D.'s, P.A. In 1992, the Company changed its name to Pediatrix Medical Group, Inc.

The Company's principal executive offices are located at 1455 Northpark Drive, Ft. Lauderdale, Florida 33326 and its telephone number is (954) 384-0175.

RECENT DEVELOPMENTS

The IPO provided net proceeds to the Company of approximately $39.7 million. Since the IPO in September 1995, the Company has enhanced its management infrastructure, thereby strengthening its ability to identify acquisition candidates, consummate transactions and integrate acquired physician group practices into the Company's operations. During the first half of 1996, the Company completed six acquisitions of neonatology physician group practices for an aggregate cash purchase price of approximately $29.5 million at the time of acquisition. The Company has developed regional networks in Denver, Phoenix and Southern California and intends to develop additional regional networks and state-wide networks. The Company believes these networks, augmented by ongoing marketing and acquisition efforts, will strengthen its position with third party payors, such as Medicaid and managed care organizations.

RECENT ACQUISITIONS

The Recent Acquisitions have (i) added 24 NICUs, four PICUs and one pediatrics department, (ii) added 50 physicians, (iii) established the Company in three new markets, Denver, Phoenix and El Paso, and (iv) expanded the Company's presence in Southern California. In the aggregate, the number of NICU patient days attributable to the Recent Acquisitions during 1995 was approximately 90,000. See "Unaudited Pro Forma Condensed Consolidated Information."

Arizona. On January 16, 1996, the Company expanded its operations into metropolitan Phoenix by acquiring all of the outstanding capital stock of Neonatal Specialists, Ltd., an Arizona professional corporation ("NSL"), and certain assets of certain entities affiliated with NSL, for an aggregate cash purchase price of $6.0 million. NSL provided physician management services to five NICUs in the Phoenix area and employed six physicians. NSL's net patient service revenue for 1995 was approximately $4.1 million, and NICU patient days during 1995 were approximately 21,000.

Colorado. The Company expanded its operations into metropolitan Denver by making three acquisitions during the first half of 1996. Through these acquisitions, the Company has established a regional network, which the Company believes will strengthen its position with third party payors, such as Medicaid and managed care organizations, in the Denver area.

On January 29, 1996, the Company acquired certain assets of Pediatric and Newborn Consultants, P.C., a Colorado professional corporation ("PNC"), for an aggregate cash purchase price of $3.6 million. The shareholders of PNC are eligible to receive additional consideration of up to $1.3 million on or about April 4, 1997 if certain targets are achieved at the hospitals previously served by PNC during the period from February 1, 1996 to January 31, 1997. PNC provided physician management services to three NICUs, three PICUs and one pediatrics department in the Denver area and employed seven physicians. PNC's net patient

service revenue for 1995 was approximately $2.3 million, and NICU patient days during 1995 were approximately 5,000.

On January 29, 1996, the Company acquired Colorado Neonatal Associates, P.C., a Colorado professional corporation ("CNA") through a merger, for an aggregate cash purchase price of $1.4 million. The prior shareholders of CNA are eligible to receive additional consideration of up to $667,000 on or about April 4, 1997 if certain targets are achieved at the hospitals previously served by CNA during the period from February 1, 1996 to January 31, 1997. CNA provided physician management services to two NICUs in the Denver area and employed two physicians. CNA's net patient service revenue for 1995 was approximately $1.3 million, and NICU patient days during 1995 were approximately 5,000.

On May 1, 1996, the Company acquired Rocky Mountain Neonatology, P.C., a Colorado professional corporation ("RMN") through a merger, for an aggregate cash purchase price of $7.2 million. RMN provided physician management services to two NICUs, including Denver's largest NICU, and one PICU and employed eight physicians. RMN's net patient service revenue for 1995 was approximately $3.1 million, and NICU patient days during 1995 were approximately 15,000.

Texas. On May 30, 1996, the Company expanded its presence into El Paso by acquiring certain assets of West Texas Neonatal Associates, a Texas general partnership ("WTNA"), for an aggregate cash purchase price of $5.3 million. WTNA provided physician management services to three NICUs and employed four physicians. WTNA's net patient service revenue for 1995 was approximately $2.3 million, and NICU patient days during 1995 were approximately 12,000.

California. On June 6, 1996, the Company expanded its presence in Southern California by acquiring certain assets of Infant Care Specialists Medical Group, Inc. ("ICS"), relating to the operations of nine NICUs and the employment of 23 physicians. The aggregate cash payments were $6.0 million. Net patient service revenue of ICS for 1995 was approximately $10.4 million, and NICU patient days during 1995 were approximately 32,000. The acquisition of ICS complements the Company's acquisition in July 1995 of NAPIC, a neonatology physician group practice with operations in Southern California.

ADDITIONS TO MANAGEMENT INFRASTRUCTURE

To support its growth and facilitate the integration of acquisitions, the Company has enhanced its management infrastructure by adding the following new positions. See "Management."

Chief Medical Officer. The Chief Medical Officer ("CMO") is responsible for overseeing all clinical operations of the Company. M. Douglas Cunningham, M.D., who has more than 25 years experience as a practicing neonatologist and professor of pediatrics and neonatotology, became CMO in June 1996. Dr. Cunningham's duties include developing and monitoring research and educational and peer review activities. In addition, Dr. Cunningham participates in sales discussions and acts as a liaison with hospital administrators in connection with the acquisition and hospital contracting process.

Vice President, Business Development. The Vice President, Business Development is responsible for directing the Company's activities relating to the growth of its business. Kristen Bratberg joined the Company as Vice President, Business Development in November 1995. Mr. Bratberg was previously employed by Dean Witter Reynolds Inc. in the Corporate Finance Department specializing in the healthcare industry. Mr. Bratberg's duties include the implementation and execution of the Company's acquisition program, the development of regional and state-wide networks and marketing to hospital administrators for new hospital contracts.

Vice President, Practice Integration. The Vice President, Practice Integration is responsible for the integration of physicians joining the Company. Brian D. Udell, M.D., who has been employed by the Company since 1983, was appointed to this position in November 1995. Dr. Udell's duties include familiarizing new physicians with scheduling and coverage at their units, collecting and analyzing clinical outcomes statistics, monitoring practice patterns and profiles and documenting patient records.

Chief Information Officer. The Chief Information Officer ("CIO") is responsible for determining and defining the Company's immediate and strategic information needs in coordination with other members of the Company's management and staff and developing the infrastructure, systems and processes to meet such needs in a cost-effective manner. The Company appointed Joseph M. Calabro as CIO in January 1996. Mr. Calabro's duties include coordinating with the Chief Operating Officer and Chief Financial Officer to upgrade and develop new management information systems.

Director of Research and Medical Education. The Director of Research and Medical Education will be responsible for developing and directing a program of clinically-relevant research, establishing and monitoring programs for exchange of clinical information among physicians, including review of significant cases and development of accredited internal continuing medical education programs. The Company expects to fill this position in the third quarter of 1996.

USE OF PROCEEDS

The net proceeds to be received by the Company from the sale of the 1,500,000 shares of Common Stock offered by the Company at the offering price set forth on the cover page of this Prospectus, after deducting underwriting discounts and commissions and estimated expenses of the offering payable by the Company, are approximately $69.2 million. The net proceeds to the Company from this offering will be used for possible future acquisitions, working capital requirements for new hospital contracts and general corporate purposes. The Company's growth strategy includes the acquisition of neonatal physician group practices that provide physician management services to NICUs. While the Company is actively pursuing acquisitions of neonatal physician group practices, and may at any time be in various stages of negotiating acquisitions, there can be no assurance that future acquisition candidates will be identified or that any future acquisition will be consummated. See "Risk Factors -- Risks Relating to Acquisition Strategy." Pending use of the net proceeds of this offering, the Company will invest such funds in short-term and medium-term, investment grade, interest-bearing obligations. The Company will not receive any of the proceeds from the sale of the Shares offered by the Selling Shareholders. See "Principal and Selling Shareholders."

PRICE RANGE OF COMMON STOCK AND DIVIDENDS

The Common Stock commenced trading on the Nasdaq National Market under the symbol "PEDX" on September 20, 1995. The following table sets forth, for the periods indicated, the high and low sales prices for the Common Stock as reported on the Nasdaq National Market.

	HIGH	LOW
1995		
Third Quarter	22 1/4	18 7/8
Fourth Quarter	28 1/2	18 1/2
1996		
First Quarter	39 1/4	24
Second Quarter	64 3/4	35 1/4
Third Quarter (through July 22)	49 1/2	31 1/4

On July 22, 1996, the last reported sale price for the Company's Common Stock on the Nasdaq National Market was $41.00 per share. As of July 22, 1996, there were 95 holders of record of Common Stock. This number does not include an indeterminate number of shareholders whose shares are held by brokers in "street name."

The Company has not declared or paid any dividends since 1992, and does not currently intend to declare or pay in the future any dividends on its Common Stock. The Company intends to retain all earnings for the operation and expansion of its 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, the general financial condition of the Company, general business conditions and contractual restrictions on payment of dividends, such as the Company's $30 million unsecured line of credit, 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."

CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company as of March 31, 1996, (i) on an actual basis, (ii) on a pro forma basis to give effect to the 1996 Second Quarter Acquisitions referenced in "Unaudited Pro Forma Condensed Consolidated Information" and (iii) as adjusted to give effect to the sale of the Shares being offered hereby and the application of the estimated net proceeds therefrom as described under "Use of Proceeds." This table should be read in conjunction with the Consolidated Financial Statements and related notes thereto, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the other financial information appearing elsewhere in this Prospectus.

	MARCH 31, 1996		
	ACTUAL	PRO FORMA	AS ADJUSTED
	(IN THOUSANDS)		
Note payable(1)	$ 799	$ 799	$ 799
Stockholders' equity:			
Common Stock; $.01 par value; 50,000,000 shares authorized; 13,063,809 shares issued and outstanding; 13,063,809 shares issued and outstanding, pro forma, and 14,563,809 shares issued and outstanding, as adjusted(2)	131	131	131
Additional paid-in capital	55,809	55,809	125,051
Retained earnings	9,657	9,657	9,657
Unrealized loss on investments	(35)	(35)	(35)
Total stockholders' equity	65,562	65,562	134,804
Total capitalization	$66,361	$66,361	$ 135,603

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(1) Includes current portion of $64,000.

(2) Excludes 2,445,915 shares of Common Stock reserved for issuance under the

Stock Option Plan, of which options for an aggregate of 1,906,740 shares of Common Stock were issued and outstanding as of March 31, 1996 and options for an aggregate of 431,077 shares of Common Stock were exercisable as of March 31, 1996, and (ii) 1,000,000 shares of Common Stock reserved for issuance under the Stock Purchase Plans, none of which had been issued as of March 31, 1996. See "Management -- Stock Option Plans." Between March 31, 1996 and June 15, 1996, options for an aggregate of 50,000 shares of Common Stock were issued and as of June 15, 1996, options for an aggregate of 444,127 shares of Common Stock were exercisable.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data set forth below as of and for each of the five years in the period ended December 31, 1995, have been derived from the Consolidated Financial Statements, which statements have been audited by Coopers & Lybrand L.L.P., independent accountants. The selected consolidated financial data of the Company as of and for the three month periods ended March 31, 1995 and 1996 have been derived from the unaudited consolidated financial statements of the Company which, in the Company's opinion, include all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the information set forth therein. The results of operations for the three months ended March 31, 1996 are not necessarily indicative of the results for the full year. 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 in this Prospectus.

	YEARS ENDED DECEMBER 31,					THREE MONTHS ENDED MARCH 31,	
	1991	1992	1993	1994	1995	1995	1996
	(IN THOUSANDS, EXCEPT PER SHARE DATA)						
CONSOLIDATED INCOME STATEMENT DATA:							
Net patient service revenue.....	$10,497	$15,438	$23,570	$32,779	$43,860	$8,886	$16,127
Operating expenses:							
Salaries and benefits.....	6,291	9,585	14,852	20,723	29,545	6,270	10,796
Supplies and other operating expenses.....	1,044..	1,743	2,230	2,774	3,451	607	1,213
Depreciation and amortization....	39	60	95	244	363	74	233
Nonrecurring expense(1).....	--	15,400	--	--	--	--	--
Total operating expenses.....	7,374	26,788	17,177	23,741	33,359	6,951	12,242
Income (loss) from operations.....	3,123	(11,350)	6,393	9,038	10,501	1,935	3,885
Investment income.....	81	160	45	208	804	107	499
Interest expense.....	--	(49)	(105)	(90)	(117)	(28)	(35)
Other income (expense), net.....	--	45	(17)	--	--	--	--
Income (loss) before income taxes.....	3,204	(11,194)	6,316	9,156	11,188	2,014	4,349
Income tax provision (benefit).....	1,358	(3,536)	2,166	3,749	4,475	805	1,737
Net income (loss)(2).....	$ 1,846	$ (7,658)	$ 4,150	$ 5,407	$ 6,713	$ 1,209	$ 2,612
Net income per common share(3).....				$ .47	$ .55	$ .10	$ .19
Weighted average shares outstanding(3).....				11,430	12,216	11,614	13,726

	DECEMBER 31,					MARCH 31,	
	1991	1992	1993	1994	1995	1995	1996
	(IN THOUSANDS)						
CONSOLIDATED BALANCE SHEET DATA:							
Cash and cash equivalents.....	$1,576	$2,329	$2,469	$7,384	$18,499	$9,466	$7,084
Working capital.....	3,426	6,651	8,052	13,772	53,448	14,768	39,717
Total assets.....	6,243	11,721	14,239	20,295	69,881	21,706	77,371
Total liabilities.....	2,500	3,388	3,762	4,203	7,071	4,418	11,809
Long-term debt, including current maturities.....	--	1,604	965	879	815	863	799
Convertible Preferred Stock(4).....	--	13,212	14,401	15,697	--	16,050	--
Stockholders' equity (deficit)(5)...	3,743	(4,879)	(3,924)	395	62,810	1,238	65,562

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(1) Reflects nonrecurring payments aggregating $15.4 million to certain of the Company's physicians as bonuses for prior services and for covenants not to compete occuring at the time of the investment in the Company by Summit in 1992.

(2) The net income (loss) amounts do not include accrued and unpaid dividends with respect to the Convertible Preferred Stock. See footnote 4 below.

(3) Such amounts represent net income per common share and common equivalent share, pro forma, to give effect to the conversion of the Convertible Preferred Stock, which was not determined to be a Common Stock equivalent, into Common Stock in connection with the IPO for 1994 and 1995. The net income per common share is computed based upon the weighted average number of shares of Common Stock and Common Stock equivalents, including the number of shares of Common Stock issuable upon conversion of the Convertible Preferred Stock, outstanding during the period. Common Stock issued by the Company during the 12 months immediately preceding the initial filing of the registration statement relating to the IPO, plus Common Stock equivalents relating to the grant of Common Stock options during the same period, have been included in the calculation of weighted average number of Common Stock equivalents outstanding for 1994 and 1995, using the treasury stock method and the IPO price of $20 per share.

(4) Immediately prior to the consummation of the IPO in September 1995, the Convertible Preferred Stock was converted into 4,571,063 shares of Common Stock and unpaid dividends of approximately $3.7 million were forgiven pursuant to the terms of the Series A Preferred Stock Purchase Agreement, dated as of October 26, 1992. Upon conversion, such amounts were credited to the common stock and additional paid-in capital accounts.

(5) The deficit in total stockholders' equity is due to the net loss in 1992 as well as the accrual of unpaid cumulative dividends on the Convertible Preferred Stock. See Note 8 to the Consolidated Financial Statements.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED INFORMATION

The following Unaudited Pro Forma Condensed Consolidated Balance Sheet as of March 31, 1996 is adjusted to give effect to (i) the 1996 Second Quarter Acquisitions and (ii) the consummation of this offering and the application of the estimated net proceeds to the Company therefrom, as if these transactions had occurred on March 31, 1996. The following Unaudited Pro Forma Condensed Consolidated Statements of Income for the year ended December 31, 1995 give effect to Recent Acquisitions and the acquisition of NAPIC, and for the three month period ended March 31, 1996 give effect to the Recent Acquisitions, as if such transactions had occurred on January 1, 1995. The Unaudited Pro Forma Condensed Consolidated Financial Statements should be read in conjunction with the December 31, 1995 and March 31, 1996 historical Consolidated Financial Statements of the Company and the related notes thereto.

The Unaudited Pro Forma Condensed Consolidated Statements of Income have been prepared by the Company and are not necessarily indicative of the operating results that would have been achieved had the Recent Acquisitions and the acquisition of NAPIC actually occurred on January 1, 1995, nor do they purport to indicate the results of future operations.

The Unaudited Pro Forma Condensed Consolidated Statements of Income combine the Company's Consolidated Statements of Operations with the historical operations of the Recent Acquisitions and the acquisition of NAPIC prior to the dates the Company made such acquisitions.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
MARCH 31, 1996
(IN THOUSANDS)

	COMPANY	1996 SECOND QUARTER ACQUISITION ADJUSTMENTS(A)	PRO FORMA AFTER 1996 SECOND QUARTER ACQUISITIONS	OFFERING ADJUSTMENT	PRO FORMA AS ADJUSTED
ASSETS					
Current assets:					
Cash and cash equivalents	$7,084		$ 7,084	$69,242(b)	$ 76,326
Investments in marketable securities	26,552	$(18,450)(c)	8,102		8,102
Accounts receivable, net	15,484	585(c)	16,069		16,069
Other current assets	1,671		1,671		1,671
Total current assets	50,791	(17,865)	32,926	69,242	102,168
Property and equipment, net	5,242		5,242		5,242
Other assets	21,338	18,450(c)	39,788		39,788
Total assets	$77,371	$ 585	$ 77,956	$69,242	$ 147,198
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable and accrued expenses	$7,539	$ 585(c)	$ 8,124		$ 8,124
Current portion of note payable	64		64		64
Deferred income taxes	3,471		3,471		3,471
Total current liabilities	11,074	585	11,659		11,659
Note payable	735		735		735
Total liabilities	11,809	585	12,394		12,394
Stockholders' equity:					
Common stock	131		131		131
Additional paid-in capital	55,809		55,809	$69,242(b)	125,051
Retained earnings	9,657		9,657		9,657
Unrealized loss on investments	(35)		(35)		(35)
Total stockholders' equity	65,562		65,562	69,242	134,804
Total liabilities and stockholders' equity	$77,371	$ 585	$ 77,956	$69,242	$ 147,198

See accompanying notes to pro forma condensed consolidated financial statements.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEAR ENDED DECEMBER 31, 1995			
	COMPANY	RECENT ACQUISITIONS AND NAPIC(A)	ACQUISITION ADJUSTMENTS	PRO FORMA AFTER ACQUISITIONS
Net patient service revenue	$43,860	$25,563		$ 69,423
Operating expenses:				
Salaries and benefits	29,545	19,105	$(1,446)(d)	47,204
Supplies and other operating expenses	3,451	5,651	(534)(e)	8,568
Depreciation and amortization	363	101	1,299(f)	1,763
Total operating expenses	33,359	24,857	(681)	57,535
Income from operations	10,501	706	681	11,888
Investment income	804	59	(326)(g)	537
Interest expense	(117)	(7)		(124)
Other income, net	--	58		58
Income before income taxes	11,188	816	355	12,359
Income tax provision (benefit)	4,475	(476)	843(h) 420(i)	5,262
Net income	$6,713	$ 1,292	$ (908)	$ 7,097
Earnings per share(j)	$ 0.55			$ 0.58
Weighted average shares used in computing net income per common and common equivalent share	12,216			12,216

	THREE MONTHS ENDED MARCH 31, 1996			
	COMPANY	RECENT ACQUISITIONS(A)	ACQUISITION ADJUSTMENTS	PRO FORMA AFTER ACQUISITIONS
Net patient service revenue	$16,127	$ 5,215		$ 21,342
Operating expenses:				
Salaries and benefits	10,796	3,609	$ (189)(d)	14,216
Supplies and other operating expenses	1,213	933	(129)(e)	2,017
Depreciation and amortization	233	23	204(f)	460
Total operating expenses	12,242	4,565	(114)	16,693
Income from operations	3,885	650	114	4,649
Investment income	499	--	(407)(g)	92
Interest expense	(35)	--		(35)
Other income, net	--	--		--
Income before income taxes	4,349	650	(293)	4,706
Income tax provision	1,737	101	148(h) (82)(i)	1,904
Net income	$2,612	$ 549	$ (359)	$ 2,802
Earnings per share				
Primary	$ 0.19			$ 0.20
Fully diluted	$ 0.19			$ 0.20
Weighted average shares used in computing net income per common and common equivalent share				
Primary	13,697			13,697
Fully diluted	13,726			13,726

See accompanying notes to pro forma condensed consolidated financial statements.

NOTES TO PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

A description of the adjustments included in the pro forma consolidated financial statements are as follows (in thousands, unless otherwise noted):

(a) The following acquisitions have been accounted for using the purchase method of accounting.

NAME OF ACQUISITION	DATE OF ACQUISITION	PURCHASE PRICE	TOTAL ASSETS RECORDED	TOTAL LIABILITIES RECORDED(1)	GOODWILL RECORDED
		(IN MILLIONS)			
NAPIC	July 27, 1995	$3.0	$4.6	$ 1.4	$3.8
NSL	January 16, 1996	6.0	6.5	0.5	5.7
CNA(2)	January 29, 1996	1.4	2.0	0.6	1.6
PNC(2)	January 29, 1996	3.6	3.8	0.3	3.8
RMN	May 1, 1996	7.2	7.7	0.6	7.2
WTNA	May 30, 1996	5.3	5.3	--	5.3
ICS	June 6, 1996	6.0	6.0	--	6.0

(1) Total liabilities recorded by the Company consist of expenses incurred in connection with the acquisition and liabilities recorded for accounts receivable due to the prior shareholders of the entities acquired. The Company's liabilities for NAPIC and NSL include the purchase and payment of premiums for professional liability tail coverage. Liability tail coverage has been purchased and the premiums are being paid by the prior shareholders in all of the other Recent Acquisitions.

(2) The prior shareholders of CNA and the shareholders of PNC are also eligible to receive additional cash consideration in an amount not to exceed $667,000 and $1.3 million, respectively, in April 1997 if certain targets are achieved at the hospitals previously served by such acquired entity during the period from February 1, 1996 to January 31, 1997.

PRO FORMA CONSOLIDATED BALANCE SHEET ADJUSTMENTS

(b) Reflects the estimated net proceeds of the offering of $69.2 million (assuming sale of 1.5 million shares at $48.25 per share (closing price at July 2, 1996), estimated offering expenses of $600,000 and 3.5% underwriters' discounts and commissions).

(c) Reflects the purchase by the Company of the 1996 Second Quarter Acquisitions for consideration of $18.5 million in cash. Net assets acquired are as follows:

Accounts receivable	$ 585
Other noncurrent assets	18,450
Current liabilities	(585)
Total cash consideration	$18,450

PRO FORMA CONSOLIDATED STATEMENTS OF INCOME ADJUSTMENTS

(d) Reflects the elimination of certain amounts of compensation, bonuses and other benefits paid principally to shareholders and other physicians that will not be paid in the future as a result of the following acquisitions and the employment agreements entered into as a result of these acquisitions. For the acquisition of WTNA, the adjustments represent amounts to be paid by the Company under employment agreements.

Such amounts were previously not recorded by WTNA in the historical financial statements as compensation expense since WTNA was a Partnership and such amounts were treated as Partnership draws.

	DECEMBER 31, 1995	MARCH 31, 1996
NAPIC	$ --	$ --
NSL	966	40
CNA	91	(27)
PNC	599	50
RMN	573	322
WTNA	(783)	(196)
ICS	--	--
Total	$ 1,446	$ 189

(e) Reflects the reduction in the cost of malpractice insurance incurred by the Recent Acquisitions and NAPIC prior to the respective dates of their acquisition as a result of the Company's existing insurance arrangements.

	DECEMBER 31, 1995	MARCH 31, 1996
NAPIC	$ 156	$ --
NSL	45	2
CNA	10	1
PNC	17	1
RMN	36	10
WTNA	6	--
ICS	264	115
Total	$ 534	$ 129

(f) Reflects the amortization of goodwill, based on the allocation of the purchase prices paid in the Recent Acquisitions and the acquisition of NAPIC, which is being amortized on a straight-line basis over 25 years as follows:

	DECEMBER 31, 1995	MARCH 31, 1996
NAPIC	$ 114	$ --
NSL	229	14
CNA	65	1
PNC	153	4
RMN	288	72
WTNA	210	53
ICS	240	60
Total	$ 1,299	$ 204

(g) Reflects the elimination of that portion of investment income from interest on the investment of the net proceeds of the IPO assumed to be used by the Company for acquisitions and thus are no longer available by the Company for investment purposes assuming an average interest rate of 4.0% for 1995 and 5.0% for the first quarter ended March 31, 1996.

(h) Reflects the incremental income taxes on the operations of the following entities that were either a Subchapter S corporation or a general partnership prior to the respective dates of their acquisition and assuming an effective income tax rate of 40% as follows:

	DECEMBER 31, 1995	MARCH 31, 1996
NSL	$ 162	$ 7
PNC	32	3
WTNA	649	138
Total	$ 843	$148

(i) Reflects the income tax benefit of the pro forma adjustments at an assumed income tax rate of 40%.

(j) Such amount represents pro forma net income per common share and common

equivalent share as a result of the conversion of the Convertible Preferred Stock in connection with the IPO. See Note 2 to the Consolidated Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Pediatrix is the nation's leading provider of physician management services to hospital-based NICUs. The Company also provides physician management services to hospital-based PICUs and pediatrics departments in hospitals. Pediatrix was incorporated in 1980 by its co-founders, Drs. Roger Medel and Gregory Melnick. Since obtaining its first hospital contract in 1980, the Company has grown by increasing revenues at existing units ("same unit growth") and by adding new units.

In July 1995, the Company completed its first acquisition of a neonatal physician group practice. Since its IPO in September 1995, the Company has enhanced its management infrastructure, thereby strengthening its ability to identify acquisition candidates, consummate transactions and integrate acquired physician group practices into the Company's operations. During the first half of 1996, the Company completed the Recent Acquisitions, which added 24 NICUs, four PICUs, one pediatrics department and 50 physicians. In the aggregate, the number of NICU patient days attributable to the Recent Aquisitions during 1995 was approximately 90,000. The Company has developed regional networks in Denver, Phoenix and Southern California and intends to develop additional regional and state-wide networks. The Company believes these networks, augmented by ongoing marketing and acquisition efforts, will strengthen its position with third party payors, such as Medicaid and managed care organizations. See "Business -- Strategy."

The following chart identifies the number and geographic distribution of the hospitals as of June 15, 1996 where the Company provides services. See "Business -- Physician Management Services."

LOCATION OF HOSPITAL	EFFECTIVE DATE	TYPE OF FACILITY
FT. LAUDERDALE, FL	July, 1980	NICU
BOYNTON BEACH, FL	January, 1983	NICU
CORAL SPRINGS, FL	February, 1987	NICU/PICU
CHARLESTON, WV	July, 1990	NICU
FT. LAUDERDALE, FL	July, 1991	PICU
ALEXANDRIA, VA	November, 1991	NICU
PONCE, PR	March, 1992	NICU
LEESBURG, VA	July, 1992	NICU
FREDERICKSBURG, VA	July, 1992	NICU
VIRGINIA BEACH, VA	September, 1992	NICU
TRENTON, NJ	October, 1992	NICU
WICHITA, KS	April, 1993	NICU
HATO REY, PR	August, 1993	NICU/PICU
STRATFORD, NJ	August, 1993	NICU
TURNERSVILLE, NJ	August, 1993	NICU
BOCA RATON, FL	September, 1993	NICU
ELMIRA, NY	October, 1993	NICU
TRENTON, NJ	December, 1993	PEDS(a)
UTICA, NY	March, 1994	NICU
WICHITA, KS	June, 1994	PICU
BARRINGTON, IL	July, 1994	NICU
WATERTOWN, NY	July, 1994	NICU
HARRISBURG, PA	September, 1994	NICU
GRAND RAPIDS, MI	October, 1994	NICU
TRENTON, NJ	January, 1995	NICU
TRENTON, NJ	January, 1995	PEDS(a)
HOUSTON, TX	June, 1995	NICU
PONTIAC, MI	July, 1995	NICU
DAYTON, OH	July, 1995	NICU
KETTERING, OH	July, 1995	NICU
DAYTON, OH	July, 1995	NICU
HOBOKEN, NJ	July, 1995	NICU

LOCATION OF HOSPITAL	EFFECTIVE DATE	TYPE OF FACILITY
APPLE VALLEY, CA	August, 1995	NICU
FULLERTON, CA	August, 1995	NICU
NEWPORT BEACH, CA	August, 1995	NICU
OCEANSIDE, CA	August, 1995	NICU
SANTA ANA, CA	August, 1995	NICU
MESA, AZ	January, 1996	NICU
PHOENIX, AZ	January, 1996	NICU
PHOENIX, AZ	January, 1996	NICU
PHOENIX, AZ	January, 1996	NICU
GLENDALE, AZ	January, 1996	NICU
DENVER, CO	January, 1996	NICU
WESTMINSTER, CO	January, 1996	NICU
DENVER, CO	January, 1996	NICU/PICU
LITTLETON, CO	January, 1996	NICU/PICU
DENVER, CO	January, 1996	PEDS(a)
ENGLEWOOD, CO	January, 1996	NICU/PICU

SANTURCE, PR	February, 1996	NICU
DENVER, CO	May, 1996	NICU/PICU
AURORA, CO	May, 1996	NICU
EL PASO, TX	May, 1996	NICU
EL PASO, TX	May, 1996	NICU
EL PASO, TX	May, 1996	NICU
LAGUNA HILLS, CA	June, 1996	NICU
RIVERSIDE, CA	June, 1996	NICU
WEST COVINA, CA	June, 1996	NICU
WEST COVINA, CA	June, 1996	NICU
FOUNTAIN VALLEY, CA	June, 1996	NICU
ENCINO, CA	June, 1996	NICU
VENTURA, CA	June, 1996	NICU
SAN LUIS OBISPO, CA	June, 1996	NICU
SOUTH LAGUNA, CA	June, 1996	NICU

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(a) The Company provides physician management services to pediatrics departments at these locations.

The Company bills 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. The Company determines its net patient service revenue based upon the difference between the gross fees for services and the 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 party payors and (iv) discounted and uncollectible accounts of private pay patients.

The Company seeks 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 pediatrics departments, where immediate accessibility to specialized care is critical. The following table summarizes the fees for services by the point at which services originate, expressed as a percentage of total net patient service revenue, exclusive of administrative fees, for the periods indicated.

	YEARS ENDED DECEMBER 31,		THREE MONTHS ENDED MARCH 31,
	1994	1995	1996
NICU	73.4%	74.7%	78.2%
PICU and PEDS	7.7	6.0	3.8
Other(1)	18.9	19.3	18.0
	100.0%	100.0%	100.0%

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(1) Represents the net patient service revenue generated by physicians providing support to areas of hospitals outside the NICU and PICU and by physicians in pediatric subspecialty offices outside of hospitals.

PAYOR MIX

The Company's payor mix is comprised of government (principally Medicaid), managed care payors, other third party payors and private pay patients. The Company benefits when more patients are covered by Medicaid, despite Medicaid's lower reimbursement rates as compared with those of managed care payors, other third party payors and private payors, because typically these patients would not otherwise be able to pay for services due to lack of insurance coverage. In addition, the Company benefits 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. A significant increase in the managed care or capitated components of the Company's payor mix, however, could result in reduced reimbursement rates and, in the absence of increased patient volume, could have a material adverse effect on the Company's financial condition and results of operations. See "Risk Factors -- Reliance upon Government Programs; Possible Reduction in Reimbursement." The following is a summary of the Company's payor mix, expressed as a percentage of total net patient service revenue, exclusive of administrative fees, for the periods indicated.

	YEARS ENDED DECEMBER 31,		THREE MONTHS ENDED MARCH 31,
	1994	1995	1996
Government	26 %	31 %	30%
Managed care	23	24	31
Other third party payors	44	39	34
Private pay	7	6	5
	100 %	100 %	100%

RESULTS OF OPERATIONS

The following discussion provides an analysis of the Company's results of operations and should be read in conjunction with the Unaudited Pro Forma Condensed Consolidated Information and the Consolidated Financial Statements and related notes thereto appearing elsewhere in this Prospectus. The operating results for the periods presented were not significantly affected by inflation.

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

	YEARS ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1993	1994	1995	1995	1996
Net patient service revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Operating expenses:					
Salaries and benefits	63.0	63.2	67.4	70.6	66.9
Supplies and other operating expenses	9.5	8.5	7.9	6.8	7.6
Depreciation and amortization	.4	.7	.8	.8	1.4
Total operating expenses	72.9	72.4	76.1	78.2	75.9
Income from operations	27.1	27.6	23.9	21.8	24.1
Other income (expense), net	(.3)	.3	1.6	.9	2.9
Income before income taxes	26.8	27.9	25.5	22.7	27.0
Income tax provision	9.2	11.4	10.2	9.1	10.8
Net income	17.6%	16.5%	15.3%	13.6%	16.2%

Three Months Ended March 31, 1996 as Compared to Three Months Ended March 31, 1995

The Company reported net patient service revenue of $16.1 million for the three months ended March 31, 1996, as compared with $8.9 million for the same period in 1995, a growth rate of 81.5%. Of this $7.2 million increase, $6.3 million, or 87.5%, 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 $559,000, or 7.2%, for the three months ended March 31, 1996, compared to the same period in 1995. Same units are those units at which the Company provided services for the entire period for which the percentage is calculated and the entire prior comparable period. The same unit growth resulted from volume increases as there were no general price increases during the periods. See "-- Quarterly Results."

Salaries and benefits increased $4.5 million, or 72.2%, to $10.8 million for the three months ended March 31, 1996, as compared with $6.3 million for the same period in 1995. Of this $4.5 million increase, $3.4 million, or 75.6%, was attributable to hiring new physicians, primarily to support new unit growth, and the remaining $1.1 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 $606,000, or 100%, to $1.2 million for the three months ended March 31, 1996, as compared with $607,000 for the same period in 1995, primarily as a result of new units. Depreciation and amortization expense increased by $159,000, or 214.9%, to $233,000 for the three months ended March 31, 1996, as compared with $74,000 for the same period in 1995, primarily as a result of amortization of goodwill in connection with acquisitions.

Income from operations increased approximately $2.0 million, or 100.8%, to $3.9 million for the three months ended March 31, 1996, as compared with $1.9 million for the same period in 1995, representing an increase in the operating margin from 21.8% to 24.1%. The increase in operating margin was primarily due to increased volume, principally from acquisitions.

The Company earned net interest income of approximately $499,000 for the three months ended March 31, 1996, as compared with $107,000 for the same period in 1995. The increase in net interest income

resulted primarily from additional funds available for investment due to proceeds from the initial public offering and cash flow from operations.

The effective income tax rate was approximately 40% for both of the three month periods ended March 31, 1996 and 1995.

Net income increased 116.0% to $2.6 million for the three months ended March 31, 1996, as compared with $1.2 million for the same period in 1995. Net income as a percentage of net patient service revenue increased to 16.2% for the three months ended March 31, 1996, compared to 13.6% for the same period in 1995.

Year Ended December 31, 1995 as Compared to Year Ended December 31, 1994

Net patient service revenue increased by $11.1 million, or 33.8%, to $43.9 million for the year ended December 31, 1995 compared to $32.8 million for the year ended December 31, 1994. Of this $11.1 million increase, $10.9 million, or 98.2%, was attributable to new contracts, including $2.7 million, or 24.3%, attributable to contracts acquired in connection with the acquisition of NAPIC in the third quarter of 1995. Same unit patient service revenue, exclusive of administrative fees, increased $689,000, or 2.6%. Same units are those units at which the Company provided services for the entire period for which the percentage is calculated and the entire prior comparable period. The same unit growth resulted from volume increases as there were no general price increases during the periods.

Salaries and benefits increased by $8.8 million, or 42.6%, to $29.5 million for the year ended December 31, 1995, compared to $20.7 million for the year ended December 31, 1994. Of this $8.8 million increase, $6.5 million, or 73.9%, was attributable to hiring of new physicians, primarily to support new contract growth, and the remaining $2.3 million was primarily attributable to increased support staff and resources added in the areas of nursing, executive management and billing and reimbursement. Supplies and other operating expenses increased $677,000, or 24.4%, to $3.5 million for the year ended December 31, 1995, compared to $2.8 million for the year ended December 31, 1994, primarily as a result of increased contract activity. Depreciation and amortization expense increased by $119,000 or 48.8%, to $363,000 for the year ended December 31, 1995 compared to $244,000 in 1994, primarily as a result of additions of computer equipment and amortization of goodwill in connection with the acquisition of NAPIC.

Income from operations increased $1.5 million, or 16.2%, to $10.5 million for the year ended December 31, 1995, compared to $9.0 million for the year ended December 31, 1994, representing a decrease in the operating income margin from 27.6% to 23.9%. The decrease in operating income margin was primarily due to increases in salaries and benefits to support new contract growth.

The Company earned net interest income of $687,000 for the year ended December 31, 1995, compared to net interest income of $118,000 for the year ended December 31, 1994. This increase in net interest income primarily resulted from the investment of IPO net proceeds.

The effective income tax rate was approximately 40.0% for the year ended December 31, 1995 compared with 40.9% for the year ended December 31, 1994.

Net income increased by $1.3 million, or 24.1%, to $6.7 million for the year ended December 31, 1995, compared to $5.4 million for the year ended December 31, 1994. Net income as a percentage of net patient service revenue decreased to 15.3% for the year ended December 31, 1995, compared to 16.5% for the year ended December 31, 1994.

Year Ended December 31, 1994 as Compared to Year Ended December 31, 1993

Net patient service revenue increased by $9.2 million, or 39.1%, to $32.8 million in 1994, compared to $23.6 million in 1993. Of this $9.2 million increase, $8.5 million, or 92%, was attributable to new contracts, and $716,000 was attributable to same units which grew 3.4%. Same units are those units that were under contract with the Company prior to 1993. Same unit growth resulted generally from volume increases with little or no impact from price increases.

Salaries and benefits increased by $5.9 million, or 39.5%, to $20.7 million in 1994, compared to $14.9 million in 1993. Of this $5.9 million increase, $4.6 million, or 78.0%, was attributable to hiring of new physicians, primarily to support new contract growth, and the remaining $1.3 million was primarily attributable to increased support staff and resources added in the areas of executive management and billing and reimbursement. Supplies and other operating expenses increased $544,000, or 24.4%, to $2.8 million in 1994, compared to $2.2 million in 1993, primarily as a result of increased advertising and contract activity. Depreciation expenses increased by $148,000 to $244,000 in 1994, primarily as a result of a full year's depreciation in 1994 of the Company's executive offices, which were occupied in July 1993.

Income from operations increased by $2.6 million, or 41.4%, to $9.0 million in 1994, compared to $6.4 million in 1993, representing an increase in the operating income margin from 27.1% to 27.6%. The increase in operating income margin was primarily due to same unit growth.

The Company earned net interest income of $118,000 in 1994, while it incurred net interest expense of $60,000 in 1993. This increase in net interest income primarily resulted from the reduction in 1993 of the debt incurred by the Company with respect to a stock repurchase and land and building acquisition and the accumulation of cash balances which amounted to $7.4 million as of December 31, 1994.

The effective income tax rate was approximately 40.9% in 1994 compared to approximately 34.3% in 1993 with the increase resulting primarily from the effect of state income taxes.

Net income increased by $1.3 million, or 30.3%, to $5.4 million in 1994, compared to $4.1 million in 1993. Net income as a percentage of net patient service revenue decreased to 16.5% in 1994, compared to 17.6% in 1993 due primarily to the higher effective tax rate in 1994.

QUARTERLY RESULTS

The following table presents certain unaudited quarterly financial data for each of the quarters in the years ended December 31, 1994 and 1995 and the quarter ended March 31 1996. This information has been prepared on the same basis as the Consolidated Financial Statements appearing elsewhere in this Prospectus and include, in the opinion of the Company, 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. The Company has historically experienced and expects to continue to experience quarterly fluctuations in net patient service revenue and net income. As a result, the operating results for any quarter are not necessarily indicative of results for any future period or for the full year. See "Risk Factors -- Quarterly Fluctuations in Operating Results; Potential Volatility."

	1994 CALENDAR QUARTERS				1995 CALENDAR QUARTERS				1996 CALENDAR QUARTER
	FIRST	SECOND	THIRD	FOURTH	FIRST	SECOND	THIRD	FOURTH	FIRST
	(IN THOUSANDS)								
Net patient service revenue.....	$7,190	$7,612	$9,032	$8,945	$8,886	$9,131	$12,478	$13,365	$16,127
Operating expenses:									
Salaries and benefits.....	4,481	4,639	5,455	6,148	6,270	6,322	8,212	8,741	10,796
Supplies and other operating expenses.....	496	711	689	878	607	831	967	1,046	1,213
Depreciation and amortization.....	49	59	65	71	74	66	99	124	233
Total operating expenses.....	5,026	5,409	6,209	7,097	6,951	7,219	9,278	9,911	12,242
Income from operations.....	2,164	2,203	2,823	1,848	1,935	1,912	3,200	3,454	3,885
Other income, net.....	7	15	37	59	79	116	85	407	464
Income before income taxes.....	2,171	2,218	2,860	1,907	2,014	2,028	3,285	3,861	4,349
Income tax provision.....	889	908	1,171	781	805	812	1,314	1,544	1,737
Net income.....	$1,282	$1,310	$1,689	$1,126	$1,209	$1,216	$ 1,971	$ 2,317	$ 2,612

LIQUIDITY AND CAPITAL RESOURCES

Prior to the IPO, the Company generated sufficient cash flow from operations to support its growth strategy, which primarily consisted of marketing directly to hospital administrators. The Company significantly increased its acquisition activities commencing with the fourth quarter of 1995. During the first quarter of 1996, the Company completed three acquisitions of neonatology physician group practices, utilizing approximately $11.0 million of net proceeds from the IPO. As of March 31, 1996, the Company had approximately $33.6 million of cash, cash equivalents and marketable securities. From April 1, 1996 through June 15, 1996, the Company completed three additional acquisitions utilizing approximately $18.5 million of net proceeds from the IPO.

As of March 31, 1996, the Company had working capital of approximately $39.7 million, a decrease of $13.7 million from the working capital of $53.4 million available at December 31, 1995. The decrease is due principally to the acquisition of three physician group practices for aggregate consideration of approximately $11.0 million in cash as well as additions to property and equipment and other assets.

On June 27, 1996, the Company entered into a $30.0 million unsecured revolving credit facility (the "Credit Facility") with The First National Bank of Boston ("Bank of Boston") and SunTrust Bank, which includes a $2.0 million amount reserved to cover deductibles under the Company's malpractice insurance policies. The Company intends to use amounts available under the Credit Facility primarily for acquisitions. The Credit Facility matures on June 30, 1999. At the Company's option, the Credit Facility bears interest at either LIBOR plus .875% or the prime rate announced by Bank of Boston. There is no balance currently outstanding under the Credit Facility.

The Company is constructing a new building, which is scheduled to be completed in the third quarter of 1996 at an anticipated total cost of approximately $2.3 million. The Company has been funding the construction of the new building with available cash. The Company has an $800,000 mortgage loan with Bank of Boston which is secured by the corporate headquarters building. The Company has received a $3.0 million commitment from Bank of Boston for a mortgage loan on the new building and the corporate headquarters, which will replace the $800,000 mortgage loan.

The Company's annual capital expenditures have typically been for computer hardware and software and for furniture, equipment and improvements at the corporate headquarters. During the three months ended March 31, 1996, capital expenditures amounted to approximately $800,000. For the remainder of 1996, the Company anticipates capital expenditures of approximately $3.3 million, including approximately $1.0 million for computer hardware and software, $1.5 million for the completion of the new building, and other expenditures, such as furnishing the new building and renovating the corporate headquarters. See "Business -- Properties." Capital expenditures during 1997 are not expected to exceed $2.0 million, principally for computer hardware and software.

The Company anticipates that funds generated from operations, together with the net proceeds of this offering, cash and marketable securities on hand and funds available under the Credit Facility, will be sufficient to meet its working capital requirements and finance any required capital expenditures and acquisitions for both the short-term and long-term.

BUSINESS

Pediatrix is the nation's leading provider of physician management services to hospital-based NICUs. NICUs provide medical care to newborn infants with low birth weight and other medical complications, and are staffed with specialized pediatric physicians, known as neonatologists. Based upon its own market research, knowledge of the health care industry and experience in neonatology, the Company believes that it is the only provider of NICU physician management services that markets its services on a national basis. The Company also provides physician management services to hospital-based PICUs, units which provide medical care to critically ill children and are staffed with specially-trained pediatricians, and pediatrics departments in hospitals. As of June 15, 1996, the Company provided services to 58 NICUs, eight PICUs and three pediatrics departments in 14 states and Puerto Rico and employed or contracted with 162 physicians. See "Recent Developments."

The Company staffs and manages NICUs and PICUs in hospitals, providing the physicians, professional management and administrative support, including billing and reimbursement expertise and services. The Company's policy is to provide 24-hour coverage at its NICUs and PICUs with on-site or on-call physicians. As a result of this policy, physicians are available to provide continuous 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.

Pediatrix established its leading position in physician management services to NICUs by developing a comprehensive care model and management and systems infrastructure that address the needs of patients, hospitals, payor groups and physicians. Pediatrix addresses the needs of (i) patients by providing continuous, comprehensive, professional quality care, (ii) hospitals by recruiting, credentialing, and retaining neonatologists and hiring related staff to operate NICUs in a cost-effective manner thereby relieving hospitals of the financial and administrative burdens of operating the NICUs, (iii) payor groups by providing cost-effective care to patients and (iv) physicians by providing administrative support, including physician billing and reimbursement expertise and services, to enable them to focus on providing care to patients, and by offering an opportunity for career advancement within Pediatrix.

INDUSTRY OVERVIEW

The evolving managed care environment has created substantial cost containment pressures for all constituents of the health care industry. The increasing use of fixed-payment systems that shift financial risk from payors to providers has forced hospitals, in particular, to be more cost-effective in all aspects of their operations. A trend among hospitals is to utilize third party contract management companies to manage specialized functions in an effort to contain costs, improve utilization management, and reduce administrative burdens. Physician management organizations provide hospitals with professional management of staff, including recruiting, staffing and scheduling of physicians.

Physicians are responding to cost containment pressures by joining group practices through which they have greater leverage to negotiate and contract with hospitals and managed care payors. Physician management organizations provide a physician group practice an alternative to self management that enables physicians to maintain their clinical autonomy while creating greater negotiating power with payors and hospitals, and providing administrative support to deal with the increasing complexity of billing and reimbursement. Physician group practices are becoming larger and more prevalent. The Company believes that as cost pressures continue to influence the medical industry, the trend of physicians joining group practices will continue. Although the Company continues to market its services to hospitals to obtain new contracts, the Company has shifted its strategy to growth through acquisitions as physicians become more receptive to being acquired.

The Company believes 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, highly variable admissions rates, and difficulties in recruiting and retaining qualified physicians. These operational challenges generally make it difficult for hospitals to operate these units profitably. Traditionally, hospitals have staffed their NICUs internally, through affiliations with small, local physician groups or with independent practitioners. These small practices typically lack the necessary expertise and support services in billing and reimbursement, recruiting and effective medical

management to operate NICUs on a cost-effective basis. Hospitals are increasingly seeking to contract with physician management services organizations that have the capital resources, information and reimbursement systems and practice management expertise that NICUs require to accept and manage risk in the evolving managed care environment.

Of the approximately four million babies born in the United States in 1994, approximately 10% required neonatal treatment. Demand for neonatal services is primarily due to premature births, which are often characterized by low birth weight and other medical complications. A majority of high-risk mothers whose births 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.

STRATEGY

The Company's objective is to enhance its position as the nation's leading provider of physician management services to NICUs by adding new units and increasing same unit growth. The key elements of the Company's strategy are as follows:

Focus on Neonatology and Pediatrics. Since its founding in 1980, the Company has focused exclusively on neonatology and pediatrics. As a result of this focus the Company believes it has (i) developed significant expertise in the complexities of billing and reimbursement for neonatology physician services and (ii) a competitive advantage in recruiting and retaining neonatologists seeking to join a group practice. The Company believes its continued focus will allow it to enhance its position as the nation's leading provider of physician management services to NICUs.

Acquire Neonatal Physician Group Practices. The Company intends to further increase the number of units at which it provides physician management services by acquiring well-established neonatal physician group practices. The Company believes that it 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. The Company completed its first acquisition of a neonatology physician group practice in California in July 1995 and completed acquisitions of six neonatology physician group practices in the first half of 1996. The Company is actively pursuing acquisitions of other neonatal physician group practices. No assurance can be given that future acquisition candidates will be identified or that any future acquisitions will be consummated. See "Recent Developments."

Develop Regional Networks. The Company intends to develop regional and state-wide networks of NICUs in geographic areas with high concentrations of births. The Company operates regional networks in Denver, Phoenix and Southern California. The Company believes that the development of regional and state-wide networks will strengthen its position with third party payors, such as Medicaid and managed care organizations, since such networks will offer more choice to the patients of third party payors.

Increase Same Unit Growth. The Company seeks to provide its services to hospitals where the Company can benefit from increased admissions and intends 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 to the Company, contribute to the Company's overall profitability, enhance the hospital's profitability, strengthen the Company's 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. The Company intends to continue assisting hospitals to control costs. The Company's comprehensive care model, which promotes early intervention by neonatologists in emergency situations, as well as the retention of qualified neonatologists, improves the overall cost-effectiveness of care. The Company believes that its ability to assist hospitals to control costs will allow it

to continue to be successful in adding new units at which the Company provides physician management services.

Address Challenges of Managed Care Environment. The Company intends to continue to develop new methods of doing business with managed care and third party payors, which will allow it to develop relationships among payors, hospitals and the Company. The Company is also prepared to enter into flexible arrangements with third party payors, including capitation arrangements. As the nation's leading provider of physician management services to NICUs, the Company believes that it is 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 MANAGEMENT SERVICES

The Company provides physician management 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. The Company staffs each NICU and PICU it manages with a medical director who reports to the CMO of the Company. The CMO and all medical directors at these units are board certified or board eligible in neonatology, pediatrics, pediatric critical care or pediatric cardiology. 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 the Company's financial success within the unit.

Recruiting, Staffing and Scheduling. The Company is responsible for recruiting, staffing and scheduling the neonatologists, pediatricians and advanced registered nurse practitioners ("ARNPs") within the NICU and PICU of the hospital. The Company's recruiting department maintains an extensive database of neonatologists and pediatricians nationwide from which to draw for recruiting purposes. All candidates are pre-screened and their credentials, licensure and references are checked and verified by the Company. The CMO 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 managed by the Company are staffed with at least one neonatologist or pediatrician on-site or available on-call. All of these physicians are board certified or board eligible in neonatology, pediatrics, pediatric critical care or pediatric cardiology. The Company also employs or contracts 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 the Company, the Company assumes responsibility for salaries, benefits, bonuses, group health insurance and physician malpractice insurance. See "-- Contractual Relationships."

Support to Other Hospital Departments. As part of the Company's comprehensive care model, physicians provide pediatric support services to other areas of hospitals, particularly in the obstetrics, nursery and pediatrics departments, where immediate accessibility to specialized care is critical. The Company believes this support (i) improves its 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 which contributes to the Company's overall profitability and (vi) increases the likelihood of renewing and adding new hospital contracts.

Pediatric Subspecialties. The Company has developed a pediatric subspecialty program to complement and enhance its comprehensive care model. The program consists of (i) a director of Pediatric Subspecialties to administer the program, (ii) four pediatric cardiologists in Florida and (iii) one pediatric nephrologist (kidney specialist) in Puerto Rico. These physicians provide out-patient services in

offices outside contracting hospitals. The pediatric cardiologists and the pediatric nephrologist also assist attending physicians at hospitals in Florida and Puerto Rico. The Company is exploring the possibility of expanding the existing program in pediatric cardiology in line with the Company's other strategic objectives in neonatology and pediatric intensive care. Expansion of the program will depend in part on the demand for such critical care services at hospitals and by payor groups.

Billing and Reimbursement. The Company assumes responsibility for all aspects of the billing, reimbursement and collection process relating to physician services. Patients treated at the unit receive a bill from the Company for physician services, and the hospital bills and collects separately for all other services. To address the increasingly complex and time-consuming process for obtaining reimbursement for medical services, the Company has invested in both the technical and human resources necessary to create an efficient billing and reimbursement process, including specific claim forms and software systems. The Company begins 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. Historically, the Company's billing and collection operations were conducted from its corporate headquarters in Fort Lauderdale, Florida. In June 1996, the Company opened a business office in Orange, California to support its operations in California.

MARKETING

Historically, most of the Company's growth was generated internally through marketing efforts and referrals. The Company significantly increased its acquisition activities during the fourth quarter of 1995 to capitalize on the opportunities created by the trend toward consolidation in the health care industry. The Company's marketing program to neonatal 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 NICU services, including certain hospitals without on-site NICUs, and (iii) a national sales manager and two regional managers that conduct on-site visits along with senior management. The Company also advertises its services in hospital and health care trade journals, participates at hospital and physician trade conferences, and markets its services directly to hospital administrators and medical staff. In addition, the Company intends to focus on developing additional regional networks and state-wide networks to strengthen its position with third party payors, such as Medicaid and managed care organizations.

MANAGEMENT INFORMATION SYSTEMS

The Company maintains several systems to support day-to-day operations, business development and ongoing business analysis, including (i) a Company-wide electronic mail system to assist in intracompany communications and conferencing, including interaction among physicians regarding clinical matters on a real-time basis, (ii) electronic interchange with payors utilizing electronic invoicing and (iii) a database used by the business development and marketing departments in recruiting individual physicians and identifying potential neonatal physician group acquisition candidates, which is updated through telemarketing activities, personal contacts, professional journals and mail solicitation. The Company is in the process of acquiring and developing an electronic medical record system. The Company believes that the electronic medical record system, when implemented, will expedite the reimbursement process and serve as the source of data for a Company-wide clinical and financing repository in support of outcomes reporting, financial analysis and clinical studies.

The Company's management information system is an integral component of the billing and reimbursement process. The Company's system enables it 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 submission with payors accepting electronic invoicing. The Company's system was designed to meet its requirements by providing maximum flexibility as payor groups upgrade their payment and reimbursement systems. See "Management's Discussion and Analysis and Financial Condition and Results of Operations -- Liquidity and Capital Resources."

CONTRACTUAL RELATIONSHIPS

Hospital Relationships. Most of the Company's contracts with hospitals grant the Company the exclusive right and responsibility to manage the provision of physician management 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 may terminate the agreement prior to the expiration of the initial term upon 30 days written notice in the event any physician (i) loses medical staff membership privileges, (ii) is convicted of a felony, (iii) is unable to perform duties due to disability or (iv) commits a grossly negligent act that jeopardizes the health or safety of a patient.

The Company bills for the 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 the Company administrative fees to assure a minimum revenue level. Administrative fees include guaranteed payments to the Company, as well as fees paid to the Company by certain hospitals for administrative services performed by the Company's medical directors at such hospitals. Administrative fees accounted for 13%, 12% and 10% of the Company's net patient service revenue during 1994, 1995 and the three months ended March 31, 1996, respectively. The hospital contracts typically require that the Company and the physicians performing services maintain professional liability insurance and general liability insurance in minimum amounts of $1.0 million per claim per physician and $3.0 million in the aggregate per year per physician. The Company contracts for and pays the premiums for such insurance on behalf of the physicians. See "-- Professional Liability and Insurance."

In addition to contracts with hospitals, staffing at certain hospitals is provided through the staff membership of the doctors at the hospital on an open basis in which no group of doctors at the NICU has an exclusive relationship with the hospital. At June 15, 1996, of the 58 NICUs to which the Company provided services, twelve were at open hospitals.

Payor Relationships. While virtually all of the Company's contracts with third party payors are discounted fee for service contracts, as of June 15, 1996, the Company had six contracts that provide for capitated payments, including four contracts in California with an independent practice association ("IPA"), one contract in Arizona with an HMO and one contract in Texas with an IPA. The Company is prepared to enter into capitation arrangements with other third party payors. In the event the Company enters into relationships with third party payors with respect to regional and state-wide networks, such relationships may be on a capitated basis.

PA Contractor Relationships. PMG has entered into management agreements ("PA Management Agreements") with PA Contractors in all states in which it operates, other than Florida. There is one PA Contractor in each state in which the Company operates. Each PA Contractor is owned by a physician licensed in the jurisdiction in which the PA Contractor operates, who is also an officer of the PA Contractor. Under the PA Management Agreements, the PA Contractors delegate to PMG the administrative, management and support functions (but 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 that the PA Contractor shall not 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 "Risk Factors -- State Laws Regarding Prohibition of Corporate Practice of Medicine," "Risk Factors -- Dependence on PA Contractors" and Note 2 to the Consolidated Financial Statements.

Physician Relationships. The Company contracts with the PA Contractors to provide the medical services required to fulfill its obligations to hospitals. The physician employment agreements typically have terms of three 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 the hospital. The Company is responsible for billing patients and third party payors for services rendered by the physician, and the Company has 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 five-mile radius of any hospital for which the physician is rendering medical services for a period of one to two years after termination of employment. The Company contracts for and pays the premiums for malpractice insurance on behalf of the physicians. See "-- Professional Liability and Insurance."

Acquisitions. The Company structures acquisitions of physician practice groups as asset purchases, stock purchases and stock mergers. Generally, these structures provide for: (i) the assignment to the Company 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 the Company is 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 the Company by the previous owners of the acquired entity. Generally, in acquisitions structured as asset purchases, the Company does 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 stock mergers, the physician practice group's receivables (net of any liabilities accruing prior to the acquisition and permitted indemnification claims) are distributed as compensation to and collected by the former owners of the physician practice group.

GOVERNMENT REGULATION

The Company's operations and relationships are subject to a variety of governmental and regulatory requirements relating to the conduct of its business. The Company is also subject to laws and regulations which relate to business corporations in general. The Company believes that it exercises care in an effort to structure its practices and arrangements with hospitals and physicians to comply with relevant federal and state law and believes that such arrangements and practices comply in all material respects with all applicable statutes and regulations.

Approximately 31% and 30% of the Company's net patient service revenue in 1995 and the three months ended March 31, 1996, respectively, was derived from payments made by government-sponsored health care programs (principally Medicaid). These programs are subject to substantial regulation by the federal and state governments. Any change in reimbursement regulations, policies, practices, interpretations or statutes that places material limitations on reimbursement amounts or practices could adversely affect the operations of the Company. Medicaid and other government reimbursement programs are increasingly shifting to managed care, which could result in reduced payments to the Company 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.

The Company is also subject to (i) certain provisions of the Social Security Act, commonly referred to as the "Anti-kickback Statute," which prohibits entities, such as the Company, from offering, paying, soliciting, or receiving any form of remuneration in return for the referral of Medicare or state health program patients or patient care opportunities, or in return for the recommendation, arrangement, purchase, lease, or order of items or services that are covered by Medicare or state health programs, (ii) prohibitions against physician referrals, commonly known as "Stark II," which prohibit, subject to certain exemptions, a physician or a member of his immediate family from referring Medicare or Medicaid patients to an entity providing "designated health services" (which include hospital inpatient and outpatient services) in which the physician has an ownership or investment interest, or with which the physician has entered into a compensation arrangement including the physician's own group practice, and (iii) state and federal civil and criminal statutes imposing substantial penalties, including civil and criminal fines and imprisonment, on health care providers which fraudulently or wrongfully bill governmental or other third party payors for health care services. Although the Company believes that it is not in violation of these provisions, there can be no

assurance that the Company's current or future practices will not be found to be in violation of these provisions, and any such finding could have a material adverse effect on the Company.

In addition, business corporations such as PMG are generally not permitted under state law to practice medicine, exercise control over the medical judgments or decisions of physicians, or engage in certain practices such as fee-splitting with physicians. In states where PMG is not permitted to practice medicine, the Company performs only nonmedical administrative services, does not represent to the public or its clients that it offers medical services and does not exercise influence or control over the practice of medicine by the PA Contractors or the physicians employed by the PA Contractors. Accordingly, the Company believes it is not in violation of applicable state laws relating to the practice of medicine. In most states, PMG contracts with the PA Contractors (which are owned by a licensed physician employed by the respective PA Contractor), which in turn employ or contract with physicians to provide necessary physician services. There can be no assurance that regulatory authorities or other parties will not assert that PMG is engaged in the corporate practice of medicine or that the percentage fee arrangements between PMG and the PA Contractors constitute fee splitting or the corporate practice of medicine. If such a claim were successfully asserted in any jurisdiction, PMG could be subject to civil and criminal penalties under such jurisdiction's laws and could be required to restructure its contractual arrangements, which could have a material adverse effect on the Company's financial condition and results of operations.

In addition to current regulation, the public and state and federal governments have recently focused significant attention on reforming the health care system in the United States. Although the Company cannot predict whether these or other reductions in the Medicare or Medicaid programs will be adopted, the adoption of such proposals could have a material adverse effect on the Company's business. Concern about such proposals has been reflected in volatility of the stock prices of companies in health care and related industries.

PROFESSIONAL LIABILITY AND INSURANCE

The Company's business entails an inherent risk of claims of physician professional liability. The Company maintains professional liability insurance and general liability insurance on a claims-made basis in the amounts of $1.0 million per incident per physician and ARNP ($2.0 million for certain physicians in California), and $3.0 million in the aggregate per annum for each physician and ARNP ($4.0 million for certain physicians in California); $2.0 million per incident and $4.0 million in the aggregate per annum for the Company; and $12.0 million in the aggregate per year for the Company and all physicians employed by or under contract with the Company. The Company believes that these amounts, which represent the required amounts of insurance coverage in the states in which the Company does business, are appropriate based upon claims experience and the nature and risks of its business. The Credit Facility includes a $2.0 million amount reserved to cover deductibles under the Company's insurance policies. 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 "-- Proceedings" and "Risk Factors -- Professional Liability and Insurance."

The physicians that are employed by or contract with the Company are required to obtain professional liability insurance coverage, and the Company contracts for and pays the premiums with respect to such insurance for the physicians. This insurance would provide coverage to the Company, subject to policy limits, in the event the Company were held liable as a co-defendant in a lawsuit against a physician or a hospital arising out of the provision of medical services by the physician. The current policy expires April 30, 1997, and the Company expects to be able to renew such policy upon such expiration.

COMPETITION

The health care industry is highly competitive and has been subject to continual changes in the method in which health care services are provided and the manner in which health care providers are selected and compensated. The Company believes that private and public reforms in the health care industry emphasizing cost containment and accountability will result in an increasing shift of NICU and related pediatric care from highly fragmented, individual or small practice neonatology providers to physician management companies. Companies in other health care industry segments, such as managers of other hospital-based specialties or large physician group practices, some of which have financial and other resources greater than those of the

Company, may become competitors in providing management of neonatal and pediatric intensive care services to hospitals.

The Company provides neonatal and pediatric management services in Arizona, California, Colorado, Florida, Illinois, Kansas, Michigan, New Jersey, New York, Ohio, Pennsylvania, Puerto Rico, Texas, Virginia and West Virginia. Competition in the Company's current markets and other geographic markets where the Company may expand is generally based upon the Company's reputation and experience, and the physician's ability to provide cost-effective, quality care.

SERVICE MARKS

The Company has registered the service mark "Pediatrix Medical Group" and its design with the United States Patent and Trademark Office, and has applied for registration of a baby design logo.

EMPLOYEES AND PROFESSIONALS UNDER CONTRACT

In addition to the 162 physicians employed or under contract with the Company as of June 15, 1996, Pediatrix employed or contracted with 31 other clinical professionals and 195 other full-time and part-time employees. None of the Company's employees are subject to a collective bargaining agreement.

PROPERTIES

The Company owns its executive offices located in Ft. Lauderdale, Florida (approximately 10,000 square feet) and currently leases space in other facilities in various states for its California business office, pediatric cardiology offices, storage space, and temporary housing of medical staff, with aggregate annual rents of approximately $360,000. In May 1995, the Company purchased approximately three acres of land adjacent to its current offices and is constructing an administrative building on such land. The building will be approximately 20,000 square feet, and is expected to be completed in the third quarter of 1996 at a cost of approximately $2.3 million.

To facilitate its acquisition and business integration programs, the Company entered into a contract in March 1996 to purchase an aircraft for $9.8 million with delivery scheduled for 1996. The Company intends to transfer its rights under the purchase contract to a third party lessor and enter into a long-term operating lease for the aircraft. The Company may also enter into a financial sharing arrangement with respect to the operating lease with one or more third parties.

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. The Company intends to vigorously defend these suits. The Company believes, based upon the investigations conducted by the Company to date, that the outcome of such legal actions and proceedings, individually or in the aggregate, will not have a material adverse effect on the Company's financial condition, results of operations or liquidity, notwithstanding any possible insurance recovery. If liability results from the medical malpractice claims, there can be no assurance that the Company's medical malpractice insurance coverage will be adequate to cover liabilities arising out of such proceedings. See "Risk Factors -- Professional Liability and Insurance."

On May 14, 1996, the Company received the Internal Revenue Service's (the "IRS") proposed adjustments to the Company's tax liability in connection with its examination of the Company's 1992, 1993, and 1994 federal income tax returns as discussed in Note 9 to the Consolidated Financial Statements. The IRS has challenged certain deductions that, if disallowed, would result in additional taxes of approximately $4.5 million, plus interest. The Company and its tax advisors are in the process of preparing a response to the IRS. The Company and its tax advisors believe that the tax returns are substantially correct as filed, and intend to vigorously contest the proposed adjustments. The Company and its tax advisors also believe that the amounts that have been provided for income taxes are adequate and that the ultimate resolution of the examination will not result in a material adverse effect on the Company's consolidated results of operations, financial position or cash flows.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

The executive officers and directors of the Company are as follows:

NAME	AGE	POSITION WITH THE COMPANY
Roger J. Medel, M.D., M.B.A.	49	President, Chief Executive Officer and Director
Richard J. Stull, II	52	Executive Vice President, Chief Operating Officer and Director
M. Douglas Cunningham, M.D.	56	Vice President and Chief Medical Officer
Lawrence M. Mullen	53	Vice President and Chief Financial Officer
Cathy J. Lerman	40	Vice President, General Counsel and Corporate Secretary
Brian D. Udell, M.D.	44	Vice President, Practice Integration
Kristen Bratberg	34	Vice President, Business Development
E. Roe Stamps, IV	50	Director
Bruce R. Evans(1)	37	Director
Frederick V. Miller, M.D.	40	Director
Michael B. Fernandez(1)(2)	43	Director
Albert H. Nahmad(1)(2)	55	Director

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(1) Member of Compensation Committee.
(2) Member of Audit Committee.

Roger J. Medel, M.D. has held the position of President, Chief Executive Officer and director of Pediatrix since he founded the Company in 1980 with Dr. Gregory Melnick. Dr. Medel has been an instructor in pediatrics at the University of 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 has served on the boards of directors of Sechrist Industries Inc., ARC Broward Inc. and Physician Healthcare Plans, Inc.

Richard J. Stull, II joined the Company in November 1994 as Executive Vice President and was elected as a director in December 1994, and appointed as Chief Operating Officer in February 1995. From 1988 to November 1994, Mr. Stull served as the President and Chief Executive Officer of the North Broward Hospital District, a four hospital multi-facility health care delivery system, and the third largest public hospital system in the United States with gross revenues in excess of $1.0 billion and 6,000 employees. Mr. Stull has served on the boards of directors of the South Florida Hospital Association and the Florida Hospital Association, and is a member of the American Hospital Association's Regional Policy Board and Metropolitan Hospital Section. Mr. Stull has over 25 years of experience in the health care industry.

M. Douglas Cunningham, M.D. joined the Company in June 1996 as Vice President and Chief Medical Officer. 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. ("ICMS"). Pediatrix recently acquired certain assets of ICMS' parent company, Infant Care Specialists Medical Group, 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.

Lawrence M. Mullen has held the position of Vice President and Chief Financial Officer of Pediatrix since May 1995. Mr. Mullen has over 30 years of experience in finance and accounting. Mr. Mullen was Senior Vice President and Chief Financial Officer of Medical Care America, Inc. from May 1993 until its acquisition by Columbia/HCA Healthcare Corporation in September 1994. Mr. Mullen served as a consultant to Columbia/HCA from November 1994 until joining Pediatrix. Prior to joining Medical Care America, Inc., Mr. Mullen was a partner of KPMG Peat Marwick LLP, where he was employed from 1964 to 1993.

Cathy J. Lerman joined Pediatrix as Vice President and General Counsel in October 1994. From May 1990 to October 1994, Ms. Lerman served as corporate counsel to Post, Buckley, Schuh, and Jernigan, Inc., an international engineering firm with offices in 38 states and several foreign countries. Prior to that time, Ms. Lerman was in private practice specializing in commercial, insurance and malpractice litigation. She has served as officer and director of numerous local, state, and national bar associations and has published several legal articles.

Brian D. Udell, M.D. has been employed by the Company since 1983. Dr. Udell served as a medical director from July 1983 to June 1994 and as the Medical Administrator from July 1994 to May 1995, at which time he was appointed Vice President, Business Development. In November 1996, upon the appointment of Mr. Bratberg as Vice President, Business Development, Dr. Udell was appointed Vice President, Practice Integration. Dr. Udell has published numerous medical articles and is a Fellow of the American Academy of Pediatrics and past-president of the Florida Society of Neonatologist -- Perinatologists.

Kristen Bratberg joined the Company in November 1995 as Vice President, Business Development. Prior to joining the Company, 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.

E. Roe Stamps, IV was elected a director of the Company in October 1992. Mr. Stamps co-founded Summit Partners in 1984 and is currently its Managing General Partner. Mr. Stamps is currently a director of Boca Research, Inc.

Bruce R. Evans was elected a director of the Company in October 1992. Mr. Evans has been employed by Summit Partners since 1986, and is currently a General Partner. Mr. Evans is currently a member of the board of directors of A+ Network, Inc.

Frederick V. Miller, M.D. was elected as a director in January 1995, and has been employed by the Company since 1991, most recently as a medical director. Prior to joining the Company, Dr. Miller served as a neonatal consultant and medical director for neonatal services with the US Army Medical Corps.

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.

Albert H. Nahmad was appointed as a director in January 1996. Mr. Nahmad has served since 1973 as Chairman of the Board and President of Watsco, Inc. Mr. Nahmad is also a director of American Bankers Insurance Group, Inc.

DIRECTOR COMPENSATION

The Company pays each director who is neither an employee or affiliated with one of the Company's principal shareholders an annual director's fee of $7,500 payable quarterly, and a $500 fee for each committee meeting attended. In addition, each non-employee director that is not affiliated with one of the Company's principal shareholders (a "Non-Affiliated 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 a Non-Affiliated Director becomes null and void three months after the date on which such Non-Employee 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. Dr. Miller also serves as a medical director

at a contracting hospital with the Company. He has two employment agreements, one as a medical director and one as a physician, which together provide for an annual salary of $250,000 plus a performance bonus. During 1993, 1994 and 1995, Dr. Miller received $259,629, $259,764 and $259,859, respectively, under such employment agreements.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

In 1992, the Company's Board of Directors established a Compensation Committee consisting of Messrs. Stamps and Evans and Dr. Medel. In September 1995, Dr. Medel resigned his position with the Compensation Committee. The Compensation Committee currently consists of Messrs. Nahmad, Fernandez and Evans. During the period that Dr. Medel served on the Compensation Committee, all compensation decisions affecting Dr. Medel were approved by the Company's directors, exclusive of Dr. Medel.

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.

EXECUTIVE COMPENSATION

Summary Compensation Table. 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 whose total annual salary and bonus, determined as of the end of the last fiscal year, exceeded $100,000 (the "Named Executive Officers"), for the fiscal years ended December 31, 1995 and 1994.

		ANNUAL COMPENSATION(1)		LONG-TERM COMPENSATION	
NAME AND PRINCIPAL POSITION	FISCAL YEAR	SALARY($)	BONUS($)(2)	NO. OF SECURITIES UNDERLYING OPTIONS	ALL OTHER COMPENSATION(3)
Roger J. Medel, M.D., M.B.A.	1995	$ 400,000	$ 175,750	200,000	$6,000
President and Chief Executive Officer	1994	400,000	311,139	320,000	6,000
Richard J. Stull, II	1995	291,667	45,000	75,000	--
Executive Vice President, Chief Operating Officer and Director(4)	1994	62,498	--	200,000(5)	--
Lawrence M. Mullen	1995	110,936	25,500	100,000	3,400
Vice President and Chief Financial Officer(6)					
Cathy J. Lerman	1995	123,750	18,750	65,000	2,675
Vice President, General Counsel and Corporate Secretary(7)	1994	18,808	--	10,000	--
Brian D. Udell, M.D.	1995	350,000	25,000	50,000	6,000
Vice President, Practice Integration	1994	350,000	50,000	--	6,000

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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 columns. 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 prior year.
(3) Reflects matching contributions to the Company's 401(k) plan.
(4) Mr. Stull joined the Company in November 1994.
(5) Options to purchase 100,000 shares were canceled in December 1995 pursuant to the terms of Mr. Stull's employment agreement.
(6) Mr. Mullen joined the Company in May 1995.
(7) Ms. Lerman joined the Company in October 1994.

Option Grants Table. The following table sets forth certain information concerning grants of stock options made during fiscal 1995 to the Named Executive Officers.

	INDIVIDUAL OPTION GRANTS IN 1995 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 1995	EXERCISE PRICE PER SHARE(2)	EXPIRATION DATE	5%	10%
Roger J. Medel, M.D.	200,000	23.8%	$ 19.25	10/29/05	$2,421,244	$6,135,908
Richard J. Stull, III.	75,000	8.9	19.25	10/29/05	907,967	2,300,966
Lawrence M. Mullen.	50,000	5.9	12.50	05/01/05	393,059	996,089
Lawrence M. Mullen.	50,000	5.9	19.25	10/29/05	605,311	1,533,977
Cathy J. Lerman.	40,000	4.8	12.50	01/18/05	314,447	796,871
Cathy J. Lerman.	25,000	3.0	19.25	10/29/05	302,656	766,989
Brian D. Udell, M.D.	50,000	5.9	20.00	12/04/05	628,895	1,593,742

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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.

Year-End Option Value Table. No Named Executive Officer exercised stock options during the year ended December 31, 1995. The following table sets forth certain information concerning the number of stock options held by the Named Executive Officers as of December 31, 1995, 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, 1995		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 1995(1)	
NAME	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Roger J. Medel, M.D.	139,999	430,001	$ 3,055,312	$ 6,527,688
Richard J. Stull, II.	33,333	141,667	749,993	2,118,757
Lawrence M. Mullen.	--	100,000	--	1,162,500
Cathy J. Lerman.	3,333	71,667	74,993	956,257
Brian D. Udell, M.D.	--	50,000	--	375,000

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(1) The closing sale price for the Company's Common Stock as reported on the Nasdaq National Market System on December 29, 1995 was $27.50. Value is calculated by multiplying (a) the difference between $27.50 and the option exercise price by (b) the number of shares of Common Stock underlying the option.

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AGREEMENTS

Effective February 1, 1995, the Company entered into an employment agreement with Ms. Lerman, and amended and restated employment agreements with each of Dr. Medel, Mr. Stull and Dr. Udell. In May 1995, the Company entered into an employment agreement with Mr. Mullen. In November 1995, the Company entered into an employment agreement with Mr. Bratberg, and in June 1996, the Company entered into an employment agreement with Dr. Cunningham (as amended to date, collectively, the "Employment Agreements"). All Employment Agreements are for a three-year term, except that Dr. Medel's agreement is for a five-year term. Dr. Medel's agreement provides for his employment as President and Chief Executive Officer at a base salary of $400,000 per year, plus (i) an incentive bonus equal to 5% of the Company's Pre-Tax Consolidated Net Income (as defined) in excess of specified targets ($9.0 million for 1995 and for each subsequent year during the employment term, such target is equal to the highest Pre-Tax Consolidated Net Income achieved during the employment term), and (ii) a performance bonus of $100,000 if certain performance objectives are achieved by Dr. Medel during the year. Pursuant to the Employment Agreements,

Messrs. Stull and Mullen, Dr. Udell, Ms. Lerman, Mr. Bratberg and Dr. Cunningham receive base salaries of $300,000, $170,000, $350,000, $125,000, $100,000 and $275,000, respectively. The Employment Agreements for Messrs. Stull, Mullen and Bratberg, Dr. Udell, Ms. Lerman and Dr. Cunningham also provide that such executives are eligible to receive performance bonuses, with Mr. Bratberg's agreement providing that such performance bonus shall be $100,000 per year payable in 12 equal installments. Mr. Bratberg's Employment Agreement also provides for payment of an incentive bonus of 5% of the initial fiscal year's "gross profits" (as defined) of businesses acquired during the term of his agreement, half of which is payable in the month immediately succeeding each such acquisition based upon projected "gross profits" and the remainder of which is payable at the end of the initial fiscal year of each such acquisition upon closure of the accounting period. The Employment Agreements also provide for payments to the executives upon termination after a Change in Control (as defined) in amount equal to 200% of average compensation for Dr. Medel, and 100% of the average compensation for each of Dr. Udell, Messrs. Stull, Mullen and Bratberg, Ms. Lerman and Dr. Cunningham for the five taxable years prior to such termination. The executive officers each hold options to purchase Common Stock granted under the Company's 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.

STOCK OPTION PLANS

Stock Option Plan. Under the Company's Stock Option Plan, 2,500,000 shares of Common Stock were reserved for issuance upon exercise of stock options. The Stock Option Plan is designed as a means to retain and motivate key employees and directors. The Compensation Committee of the Board of Directors administers and interprets the Stock Option Plan and is authorized to grant options thereunder to all eligible employees and directors of the Company, except that no incentive stock options (as defined in Section 422 of the Internal Revenue Code) may be granted to a director who is not also an employee of the Company or a subsidiary.

The Stock Option Plan provides for the granting of both incentive stock options and nonqualified stock options. Options are granted under the Stock Option Plan on such terms and at such prices as determined by the Compensation Committee, except that the per share exercise price of incentive stock options cannot be less than the fair market value of the Common Stock on the date of grant. Each option is exercisable after the period or periods specified in the option agreement, but no option may be exercisable after the expiration of ten years from the date of grant. Options granted to an individual who owns (or is deemed to own) at least 10% of the total combined voting power of all classes of stock of the Company must have an exercise price of at least 110% of the fair market value of the Common Stock on the date of grant and a term of no more than five years. Options granted under the Stock Option Plan are not transferable other than by will or by the laws of descent and distribution. The Stock Option Plan also authorizes the Company to make or guarantee loans to optionees to enable them to exercise their options. Such loans must (i) provide for recourse to the optionee, (ii) bear interest at a rate no less than the prime rate of interest, and (iii) be secured by the shares of Common Stock purchased. The Board of Directors has the authority to amend or terminate the Stock Option Plan, provided that no such action may impair the rights of the holder of any outstanding option without the written consent of such holder, and provided further that certain amendments of the Stock Option Plan are subject to shareholder approval. Unless terminated sooner, the Stock Option Plan will continue in effect until all options granted thereunder have expired or been exercised, provided that no options may be granted after 10 years from the date the Board of Directors adopted the Stock Option Plan.

As of June 15, 1996, the Company has outstanding options to purchase an aggregate of 1,941,029 shares of Common Stock under the Plan at a weighted average exercise price of $15.70 per share.

Employee Stock Purchase Plans.

The Company has adopted two Stock Purchase Plans, one which covers the employees of the Company and one which covers the employees of the PA Contractors. The Company has reserved an aggregate of 1,000,000 shares under the Stock Purchase Plans.

The purpose of the Stock Purchase Plans is to encourage stock ownership in the Company, thereby enhancing employee interest in the continued success and progress of the Company. The Stock Purchase Plans permit participants to purchase stock of the Company at a favorable price and possibly with favorable tax consequences to the participants. The Stock Purchase Plans are administered by the Compensation Committee appointed by the Board consisting of persons who are "disinterested" persons under Rule 16b-3 under the Exchange Act. The Stock Purchase Plans give broad powers to the Committee to administer and interpret the Qualified Stock Purchase Plan. Purchase periods for the Stock Purchase Plans are each of the six-month periods ending on the last day of March and September, commencing September 30, 1996. Before the commencement date of each purchase period, each participant must elect to have compensation withheld during the purchase period of either (i) a minimum of 1% and a maximum of 15% of his or her compensation, or (ii) a specific dollar amount of not less than $25 or more than $10,625. The percentage or amount designated may not be increased or decreased during a purchase period, but a participant can discontinue payroll deductions for the remainder of a purchase period and withdraw his or her funds entirely. As of the first day of the purchase period, a participant is granted an option to purchase that number of shares determined by dividing the total amount to be withheld by the purchase price described below. Based on the amount of salary withheld at the end of the purchase period, shares will be purchased for the account of each participant within five business days of the termination date of such purchase period (the "Purchase Date"). In no event, however, may a participant receive an option for shares which would cause the participant to own 5% or more of the Common Stock of the Company. The purchase price to be paid by the participants will be the lower of the amount determined under Paragraphs A and B below:

A. 85% of the average of the high and low sales price of the Company's Common Stock as reported on Nasdaq National Market as of the commencement date of the purchase period; or

B. 85% of the average of the high and low sales price of the Company's Common Stock as reported on Nasdaq National Market as of the Purchase Date.

As required by tax law, no participant may receive an option under the Stock Purchase Plans for shares which have a fair market value in excess of $25,000 determined at the time such option is granted. Any funds not used to purchase shares will remain credited to the participant's bookkeeping account and applied to the purchase of shares of Common Stock in the next succeeding purchase period. No interest is paid by the Company on funds withheld, and such funds are used by the Company for general operating purposes.

As of June 15, 1996, no shares of Common Stock had been issued under the Stock Purchase Plans.

401(K) PLAN

As of January 1, 1993, the Company instituted a 401(k) plan (the "401(k) Plan"). All full-time employees of the Company who are at least 21 years old are eligible to participate in the 401(k) Plan on the first day of the quarter following the employee's date of hire. The Company contributes an amount equal to the participant's contribution, up to 4% of the participant's salary. The 401(k) Plan also allows the Company to make other discretionary contributions, including profit sharing contributions, which will be administered by the Compensation Committee.

The Company's matching contributions on behalf of an eligible employee generally become fully vested if such employee reaches normal retirement age, dies or becomes disabled while an employee. Such matching contributions vest on a pro rata basis over a three-year period from the date of contribution.

An employee generally will be entitled to payment of such employee's total account balance under the 401(k) Plan upon such employee's retirement, death or permanent disability. In the event employment is terminated for any other reason, an employee will be entitled to payment of such employee's vested account balance. See Note 11 of Notes to Consolidated Financial Statements.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth information with respect to the beneficial ownership of the Company's outstanding Common Stock as of June 15, 1996 and as adjusted to reflect the sale of the Common Stock offered hereby by (i) each person known by the Company to be the beneficial owner of more than 5% of the outstanding shares of Common Stock, (ii) each director or executive officer of the Company who beneficially owns any shares, (iii) each Selling Shareholder, and (iv) all directors and executive officers of the Company as a group. Except as otherwise indicated, the persons listed below have sole voting and investment power with respect to all shares of Common Stock owned by them, except to the extent such power may be shared with a spouse.

	SHARES BENEFICIALLY OWNED PRIOR TO THE OFFERING(2)		NUMBER OF SHARES	SHARES BENEFICIALLY OWNED AFTER THE OFFERING(2)	
NAME OF BENEFICIAL OWNER(1)	NUMBER	PERCENT(3)	OFFERED	NUMBER	PERCENT
Summit Partners(3)	3,079,125	23.6%	1,500,000	1,579,125	10.8%
Roger J. Medel, M.D.(4)	1,197,575	9.0	500,000	697,575	4.7
Richard J. Stull, II(5)	31,583	*	--	31,583	*
Lawrence M. Mullen(6)	19,167	*	--	19,167	*
Cathy J. Lerman(7)	14,167	*	--	14,167	*
Brian D. Udell, M.D.(8)	630,455	4.8	300,000	330,455	2.3
E. Roe Stamps, IV(3)	3,079,125	23.6	1,500,000	1,579,125	10.8
Bruce R. Evans(3)	3,079,125	23.6	1,500,000	1,579,125	10.8
Frederick V. Miller, M.D.(9)	38,266	*	--	38,266	*
K. Steven Haskins, M.D.(10)	630,455	4.8	300,000	330,455	2.3
Stefan R. Maxwell, M.D.(10)	630,455	4.8	300,000	330,455	2.3
Carlos A. Perez, M.D.(10)(11)	391,413	3.0	300,000	91,413	*
Gregory Melnick, M.D.(10)	334,000	2.6	50,000	284,000	2.0
Regina C. Melnick, D.M.D.(12)	290,000	2.2	250,000	40,000	*
All directors and executive officers as a group (12 persons)(13)	5,010,338	37.5	2,300,000	2,710,338	18.3

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* Less than one percent.

(1) Unless otherwise indicated, the address of each of the beneficial owners identified is 1455 Northpark Drive, Ft. Lauderdale, Florida 33326.

(2) Based on 13,076,170 shares of Common Stock outstanding at June 15, 1996 and 14,576,170 as adjusted after the offering. Pursuant to the rules of the Commission, certain shares of Common Stock which a person has the right to acquire within 60 days of the date hereof 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 3,030,223 shares of Common Stock held by Summit Ventures III, L.P. ("Ventures"), 26,549 shares of Common Stock held by Summit Investors II, L.P. ("Investors"), and 22,353 shares of Common Stock held by HKL Associates ("HKL", and together with Ventures and Investors, "Summit Partners"). Mr. Evans and Mr. Stamps are directors of the Company, general partners of an affiliate of Ventures and are general partners of Investors and HKL. Messrs. Stamps and Evans may, by virtue of their relationships with Ventures, Investors and HKL, be deemed to beneficially own the securities held by Ventures, Investors and HKL, and to share voting and investment power with respect to such securities. Messrs. Stamps and Evans both disclaim beneficial ownership of the securities, except to the extent of their respective investment interests in Ventures, Investors and HKL. The address of Summit Partners and Messrs. Stamps and Evans is 600 Atlantic Avenue, Suite 2800, Boston, Massachusetts 02210. Does not reflect the sale of 500,000 shares pursuant to the exercise of the Underwriters' over-allotment option. See "Underwriting."

(4) Includes (i) 50,000 shares beneficially owned by Dr. Medel's wife, as to which Dr. Medel disclaims beneficial ownership; (ii) 240 shares owned by Dr. Medel's minor children, as to which Dr. Medel disclaims beneficial ownership, (iii) 950,908 shares held of record by Medel Family Investments, Ltd., a Florida limited partnership, and its general partner, which are controlled by Dr. Medel and his wife, and (iv) 196,667 shares subject to presently exercisable options. Excludes 573,333 shares subject to unexercisable options. Does not reflect the sale of 250,000 shares pursuant to the exercise of the Underwriters' over-allotment option. See "Underwriting."

(5) Includes (i) 1,250 shares directly owned, and (ii) 30,333 shares subject to presently exercisable options. Excludes 141,667 shares subject to unexercisable options.

(6) Includes (i) 2,500 shares directly owned, and (ii) 16,667 shares subject to presently exercisable options. Excludes 83,333 shares subject to unexercisable options.

(7) All shares are subject to presently exercisable options. Excludes 58,333 shares subject to unexercisable options.

(8) All shares are held in trusts for the benefit of Dr. Udell and his wife. Dr. Udell disclaims beneficial ownership with respect to the shares held in trust for his wife. Excludes 50,000 shares subject to unexercisable options.

(9) Includes (i) 26,600 shares directly owned, and (ii) 11,666 shares subject to presently exercisable stock options. Excludes 23,334 shares subject to unexercisable options.

(10) Each of Drs. Haskins, Maxwell, Melnick, Perez and Turnier (the wife of Dr. Medel) are employed by the Company as medical directors. Prior to April 1, 1996, Drs. Haskins, Maxwell, Melnick, Perez and Turnier received annual salaries of $315,000, $300,000, $300,000, $300,000 and $300,000, respectively, pursuant to employment agreements. Effective April 1, 1996, commensurate with an anticipated reduction in responsibilities, the annual compensation to be paid to each such person was reduced to $50,000 per year.

(11) Includes 46,667 shares subject to presently exercisable stock options. Excludes 93,333 shares subject to unexercisable options.

(12) Dr. Regina Melnick's address is 2600 Douglas Road, Suite 907, Coral Gables, Florida 33134.

(13) Includes 269,500 shares subject to presently exercisable stock options. Excludes 1,065,000 shares subject to unexercisable options.

DESCRIPTION OF CAPITAL STOCK

The Company's authorized capital stock consists of 50,000,000 shares of authorized Common Stock and 1,000,000 shares of authorized Preferred Stock, $.01 par value. Copies of the Articles of Incorporation and Bylaws have been filed as exhibits with the Commission and are incorporated by reference herein.

COMMON STOCK

Holders of Common Stock are entitled to one vote per share on all matters submitted to a vote of shareholders, including the election of directors. Since the Common Stock does not have cumulative voting rights, the holders of a majority of the outstanding shares voting for election of directors can elect all members of the Board of Directors. A majority vote is also sufficient for other actions that require the vote or concurrence of shareholders. See "Principal and Selling Shareholders." Dividends may be paid to holders of Common Stock when and if declared by the Board of Directors out of funds legally available therefor. See "Price Range of Common Stock and Dividends." Holders of Common Stock will be entitled to share ratably in the assets of the Company legally available for distribution to shareholders in the event of liquidation or dissolution.

The holders of Common Stock have no preemptive or conversion rights. The shares of Common Stock offered hereby will be, when issued and paid for, fully paid and not liable for further call or assessment.

PREFERRED STOCK

Although the Company has no present plans to issue shares of Preferred Stock, Preferred Stock may be issued from time to time in one or more classes or series with such designations, powers, preferences, rights, qualifications, limitations and restrictions as may be fixed by the Company's Board of Directors. The Board of

Directors, without obtaining shareholder approval, could issue the Preferred Stock with voting and/or conversion rights and thereby dilute the voting power and equity of the holders of Common Stock and adversely affect the market price of such stock. See "Risk Factors--Anti-Takeover Provisions; Possible Issuance of Preferred Stock."

CERTAIN FLORIDA LEGISLATION

The Company is subject to (i) the Florida Control Share Act, which generally provides that shares acquired in excess of certain specified thresholds will not possess any voting rights unless such voting rights are approved by a majority vote of the corporation's disinterested shareholders, and (ii) the Florida Fair Price Act, which generally requires supermajority approval by disinterested directors or shareholders of certain specified transactions between a corporation and holders of more than 10% of the outstanding shares of the corporation (or their affiliates).

CERTAIN EFFECTS OF AUTHORIZED BUT UNISSUED STOCK

The authorized but unissued shares of Common Stock and Preferred Stock are available for future issuance without shareholder approval. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, acquisitions and employee benefit plans.

The existence of authorized but unissued and unreserved Common Stock and Preferred Stock may enable the Board of Directors to issue shares to persons friendly to current management which could render more difficult or discourage an attempt to obtain control of the Company by means of a proxy contest, tender offer, merger or otherwise, and thereby protect the continuity of the Company's management. See "Risk Factors -- Anti-Takeover Provisions; Possible Issuance of Preferred Stock."

ANTI-TAKEOVER EFFECTS OF CERTAIN PROVISIONS OF THE COMPANY'S ARTICLES OF INCORPORATION AND BYLAWS

Certain provisions of the Articles of Incorporation and Bylaws of the Company summarized in the following paragraphs may be deemed to have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that a shareholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by shareholders.

Special Meeting of Shareholders. The Articles of Incorporation provide that special meetings of shareholders of the Company may be called only by the Board of Directors or upon the written demand of the holders of not less than fifty percent of all votes entitled to be cast on any issue proposed to be considered at a special meeting. This provision will make it more difficult for shareholders to take actions opposed by the Board of Directors.

Advance Notice Requirements for Shareholder Proposals and Director Nominations. The Articles of Incorporation provide that shareholders seeking to bring business before an annual meeting of shareholders, or to nominate candidates for election as directors at an annual meeting of shareholders, must provide timely notice thereof in writing. To be timely, a shareholder's notice must be delivered to or mailed and received at the executive offices of the Company not less than 120 days nor more than 180 days prior to the first anniversary of the date of the Company's notice of annual meeting provided with respect to the previous year's annual meeting. The Articles of Incorporation also specify certain requirements for a shareholder's notice to be in proper written form. These provisions may preclude some shareholders from bringing matters before the shareholders at an annual meeting or from making nominations for directors at an annual meeting.

TRANSFER AGENT

The transfer agent and registrar of the Common Stock is Boston Equiserve, Boston, Massachusetts.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, the Company will have 14,576,170 shares of Common Stock outstanding, based upon the number of shares outstanding as of June 15, 1996. Of these shares, the 5,000,000 shares sold in this offering (5,750,000 shares if the Underwriters' over-allotment option is exercised in full) will be freely tradeable without restriction or further registration under the Securities Act, except for any shares purchased by "affiliates" of the Company, as that term is defined under the Securities Act ("Affiliates").

SALES OF RESTRICTED SHARES

There are 7,269,270 Restricted Shares which are deemed "restricted securities" under Rule 144 under the Securities Act and may not be sold unless they are registered under the Securities Act or unless an exemption, such as the exemption provided by Rule 144, is available. Of this amount, 6,970,734 shares are subject to the Lock-up Agreements described below. Of the 298,536 shares that are not subject to the Lock-up Agreements, all are eligible for sale in the public market in accordance with Rule 144, including 200,981 shares subject to immediate resale under the provisions of Rule 144(k). Certain securityholders have the right to have their Restricted Shares registered by the Company under the Securities Act as described below.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated), including an Affiliate, who has beneficially owned Restricted Shares for at least two years, is entitled to sell, within any three-month period, a number of such shares that does not exceed the greater of (i) one percent of the then outstanding shares of Common Stock (approximately 145,762 shares after this offering) or (ii) the average weekly trading volume in the Common Stock during the four calendar weeks preceding the date on which notice of such sale is filed with the Commission. In addition, under Rule 144(k), a person who is not an Affiliate and has not been an Affiliate for at least three months prior to the sale and who has beneficially owned the Restricted Shares for at least three years may resell such shares without compliance with the foregoing requirements. In meeting the two and three year holding periods described above, a holder of Restricted Shares can include the holding periods of a prior owner who was not an Affiliate. On July 27, 1995, the Securities and Exchange Commission proposed to reduce the Rule 144(d) holding period for resales of restricted securities from two years to one year and to reduce the Rule 144(k) holding period from three years to two years. If the proposed changes are adopted, the reduced holding periods are expected to apply to all securities eligible for resale under Rule 144.

OPTIONS

As of June 15, 1996, options to purchase a total of 1,941,029 shares of Common Stock were outstanding, of which options for an aggregate of 444,127 shares of Common Stock were exercisable. Of the exercisable options, 299,500 shares are subject to Lock-up Agreements. The Company has filed one or more registration statements on Form S-8 under the Securities Act to register all shares of Common Stock subject to then outstanding stock options and Common Stock issuable pursuant to the Company's Stock Option Plan and Stock Purchase Plans. The shares registered pursuant to these registration statements will, once exercisable, be eligible for sale in the public markets, subject to the Lock-up Agreements, to the extent applicable. See "Management."

LOCK-UP AGREEMENTS

Holders of 6,970,734 shares of Common Stock outstanding immediately prior to this offering and holders of options to purchase an aggregate of 1,447,000 shares of Common Stock have agreed, pursuant to the Lock-up Agreements, that they will not, without the prior written consent of Dean Witter Reynolds Inc., offer, sell, contract to sell or otherwise dispose of any shares of Common Stock beneficially owned by them or exercise any registration rights in respect of such Common Stock for a period of 90 days after the date of this Prospectus (the "Lock-up Period").

REGISTRATION RIGHTS

The Selling Shareholders (collectively, the "Rights Holders") will be entitled, subject to the Lock-up Agreements, to require the Company to register under the Securities Act a total of approximately 6,919,015 shares of outstanding Common Stock (the "Registrable Shares") (approximately 3,419,015 shares after giving effect to the sale of shares in this offering). The Registration Rights Agreement provides that under certain circumstances and subject to certain limitations the Rights Holders may require the Company to file a registration statement under the Securities Act with respect to the Registrable Shares and the Company must use all commercially reasonable efforts to effect such registration. In addition, in the event the Company proposes to register any of its securities, either for its own account or for the account of a security holder, the Rights Holders may be entitled to include the Registrable Shares in such registration, subject to certain limitations on the number of shares to be included in the registration by the underwriter of such offering.

UNDERWRITING

The Underwriters named below, for whom Dean Witter Reynolds Inc. and Alex. Brown & Sons Incorporated, Donaldson, Lufkin & Jenrette Securities Corporation, Hambrecht & Quist LLC and Smith Barney Inc. are acting as representatives (the "Representatives"), have severally agreed, subject to the terms and conditions of the Underwriting Agreement (a copy of which has been filed as an exhibit to the Registration Statement), to purchase from the Company and the Selling Shareholders the number of shares of Common Stock set forth opposite their respective names in the table below:

NAME	NUMBER OF SHARES
Dean Witter Reynolds Inc.	
Alex. Brown & Sons Incorporated	
Donaldson, Lufkin & Jenrette Securities Corporation	
Hambrecht & Quist LLC	
Smith Barney Inc.	
Total	5,000,000

The Underwriting Agreement provides that the obligations of the several Underwriters thereunder are subject to approval of certain legal matters by counsel and to various other conditions. The nature of the Underwriters' obligation is such that they must purchase all of the shares (other than those subject to the over-allotment option) if any are purchased.

The Underwriters have advised the Company that they propose to offer the shares of Common Stock directly to the public at the public offering price set forth on the cover page of this Prospectus and to certain dealers (who may include the Underwriters) at such public offering price less a concession not to exceed $ per share. Such dealers may reallow a concession not to exceed $ per share to other dealers. After the public offering, the public offering price may be reduced and concessions and reallowances to dealers may be changed by the underwriters. The Representatives have informed the Company that the Underwriters do not intend to confirm sales to any account over which they exercise discretionary authority. The Representatives intend to make a market in the Common Stock after completion of this offering.

Certain Selling Shareholders have granted to the Underwriters an option, exercisable during the 30-day period after the date of this Prospectus, to purchase up to an additional 750,000 shares of Common Stock at the public offering price, less underwriting discounts and commissions to cover over-allotments, if any. After commencement of this offering, the Underwriters may confirm sales subject to the over-allotment option.

The Company and the Selling Shareholders have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Underwriters may be required to make in respect thereof.

The Company, the officers and directors of the Company and the Selling Shareholders have agreed that they will not, during the period commencing on the date hereof and ending 90 days after the date of this prospectus (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock (whether such shares or any such securities are now owned by the undersigned or are hereafter acquired), or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise.

In connection with this offering, the Underwriters and other selling group members may engage in passive market making transactions in the Common Stock on the Nasdaq National Market in accordance with Rule 10b-6A under the Exchange Act. Passive market making consists of displaying bids on the Nasdaq National Market limited by the prices of independent market makers and effecting purchases limited by such prices and in response to order flow. Net purchases by a passive market maker on each day are limited to a specified percentage of the passive market maker's average daily trading volume in the Common Stock during a specified prior period and must be discontinued when such limit is reached. Passive market making may stabilize the market price of the Common Stock at a level above that which might otherwise prevail and, if commenced, may be discontinued at any time.

LEGAL MATTERS

The validity of the shares of Common Stock offered hereby will be passed upon for the Company and certain of the Selling Shareholders by Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, P.A., Miami, Florida. Certain legal matters relating to the offering will be passed upon for the Underwriters by Latham & Watkins, Washington, D.C.

EXPERTS

The consolidated balance sheets of the Company at December 31, 1994 and 1995 and the consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1995, the balance sheet of Neonatal and Pediatric Intensive Care Medical Group, Inc. as of December 31, 1994 and the statements of operations, stockholders' equity and cash flows for the year ended December 31, 1994, and the balance sheet of Rocky Mountain Neonatology, P.C. as of December 31, 1995 and the statements of operations, stockholders' equity and cash flows for the year ended December 31, 1995, which are included in this Prospectus and Registration Statement, have been included herein in reliance on the report of Coopers & Lybrand L.L.P., independent accountants, given on the authority of that firm as experts in accounting and auditing.

The balance sheet of Neonatal Specialists, Ltd. as of December 31, 1995 and the statements of income and retained earnings, and cash flows for the year then ended, which are included in this Prospectus and Registration Statement, have been included herein in reliance on the report of Johnson & Moser, Ltd., independent accountants, given on the authority of that firm as experts in accounting and auditing.

The balance sheet of Pediatric and Newborn Consultants, PC as of December 31, 1995 and the statements of earnings and retained earnings, and cash flows for the year then ended, which are included in this Prospectus and Registration Statement, have been included herein in reliance on the report of Deon E. Fitch, C.P.A., independent accountant, given on the authority of that individual as an expert in accounting and auditing.

The balance sheet of West Texas Neonatal Associates, a Partnership, as of December 31, 1995 and the related statements of income and partners' equity, and cash flows for the year then ended, which are included in this Prospectus and Registration Statement, have been included herein in reliance on the report of Linda G. Medlock P.C., independent accountant, given on the authority of that firm as an expert in accounting and auditing.

The consolidated balance sheet of Infant Care Specialists Medical Group, Inc. and subsidiary as of December 31, 1995 and the consolidated statements of income and retained earnings and cash flows for the year then ended, which are included in this Prospectus and Registration Statement, have been included herein in reliance on the report of Harlan & Boettger, independent accountants, given on the authority of that firm as experts in accounting and auditing.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

THE REGISTRANT --

PEDIATRIX MEDICAL GROUP, INC.

PEDIATRIX MEDICAL GROUP, INC.

CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors
Pediatrix Medical Group, Inc.
Fort Lauderdale, Florida

We have audited the accompanying consolidated balance sheets of Pediatrix Medical Group, Inc. as of December 31, 1994 and 1995, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pediatrix Medical Group, Inc. as of December 31, 1994 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995 in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Fort Lauderdale, Florida
January 29, 1996

PEDIATRIX MEDICAL GROUP, INC.

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,		MARCH 31,
	1994	1995	1996
	(IN THOUSANDS)		(UNAUDITED)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 7,384	$18,499	$ 7,084
Investments in marketable securities	--	27,718	26,552
Accounts receivable, net	8,965	12,096	15,484
Prepaid expenses	293	628	692
Other assets	339	497	596
Income taxes receivable	179	330	383
Total current assets	17,160	59,768	50,791
Property and equipment, net	3,011	4,549	5,242
Other assets, net	124	5,564	21,338
Total assets	$20,295	$69,881	$77,371
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued expenses	$ 2,784	$ 4,347	$ 7,539
Current portion of note payable	64	64	64
Deferred income taxes	540	1,909	3,471
Total current liabilities	3,388	6,320	11,074
Note payable	815	751	735
Total liabilities	4,203	7,071	11,809
Preferred stock; voting, redeemable, cumulative, convertible, $.01 par value; 4,575,000 shares authorized, 4,571,063 shares issued and outstanding at December 31, 1994, and none issued and outstanding at December 31, 1995 and March 31, 1996; stated at redemption value of $13,000,103 plus accrued and unpaid dividends of $2,696,678 at December 31, 1994	15,697	--	--
Contingencies (Note 10)			
Stockholders' equity:			
Preferred stock; $.01 par value, 1,000,000 shares authorized, none issued and outstanding at December 31, 1995 and March 31, 1996	--	--	--
Common stock; $.01 par value, 15,000,000 shares authorized at December 31, 1994 and 50,000,000 shares authorized at December 31, 1995 and March 31, 1996, 6,265,983 and 13,051,055 and 13,063,809 shares issued and outstanding at December 31, 1994 and 1995 and March 31, 1996, respectively	63	131	131
Additional paid-in capital	--	55,620	55,809
Retained earnings	332	7,045	9,657
Unrealized gain (loss) on investments	--	14	(35)
Total stockholders' equity	395	62,810	65,562
Total liabilities and stockholders' equity	$20,295	$69,881	$77,371

The accompanying notes are an integral part of these financial statements.

PEDIATRIX MEDICAL GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEARS ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1993	1994	1995	1995	1996
	(IN THOUSANDS, EXCEPT FOR PER SHARE DATA)			(UNAUDITED)	
Net patient service revenue	$23,570	$32,779	$43,860	$ 8,886	$16,127
Operating expenses:					
Salaries and benefits	14,852	20,723	29,545	6,270	10,796
Supplies and other operating expenses	2,230	2,774	3,451	607	1,213
Depreciation and amortization	95	244	363	74	233
Total operating expenses	17,177	23,741	33,359	6,951	12,242
Income from operations	6,393	9,038	10,501	1,935	3,885
Investment income	45	208	804	107	499
Interest expense	(105)	(90)	(117)	(28)	(35)
Other expense, net	(17)	--	--	--	--
Income before income taxes	6,316	9,156	11,188	2,014	4,349
Income tax provision	2,166	3,749	4,475	805	1,737
Net income	$ 4,150	$ 5,407	$ 6,713	$ 1,209	$ 2,612
Per share data (1995 pro forma unaudited):					
Net income per common and common equivalent share			$ .55	$ .10	$ .19
Weighed average shares used in computing net income per common and common equivalent share			12,216	11,614	13,726

The accompanying notes are an integral part of these financial statements.

PEDIATRIX MEDICAL GROUP, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (ACCUMULATED DEFICIT)
	NUMBER OF SHARES	AMOUNT		
	(IN THOUSANDS)			
Balance at December 31, 1992	6,857	$ 69	$ --	$ (4,662)
Net income	--	--	--	4,150
Common stock issued	204	2	291	--
Common stock retired	(837)	(8)	(24)	(2,553)
Accrued and unpaid preferred stock dividends for the year ended December 31, 1993	--	--	(267)	(921)
Balance at December 31, 1993	6,224	63	--	(3,986)
Net income	--	--	--	5,407
Common stock issued	118	1	588	--
Common stock retired	(76)	(1)	(154)	(227)
Accrued and unpaid preferred stock dividends for the year ended December 31, 1994	--	--	(434)	(862)
Balance at December 31, 1994	6,266	63	--	332
Net income	--	--	--	6,713
Accrued and unpaid preferred stock dividends through conversion date, September 25, 1995	--	--	(1,040)	--
Common stock issued	2,240	22	39,848	--
Conversion of preferred stock	4,571	46	16,691	--
Tax benefit related to employee stock options	--	--	252	--
Common stock retired	(26)	--	(131)	--
Balance at December 31, 1995	13,051	131	55,620	7,045
Net income (unaudited)	--	--	--	2,612
Common stock issued (unaudited)	14	2	72	--
Common stock retired (unaudited)	(2)	(2)	(44)	--
Tax benefit related to employee stock options (unaudited)	--	--	161	--
Balance at March 31, 1996 (unaudited)	13,063	$131	$ 55,809	$ 9,657

The accompanying notes are an integral part of these financial statements.

PEDIATRIX MEDICAL GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
	1993	1994	1995	1995	1996
	(IN THOUSANDS)			(UNAUDITED)	
Cash flows from (used in) operating activities:					
Net income	$ 4,150	$ 5,407	$ 6,713	$1,209	$ 2,612
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	95	244	363	74	233
Deferred income taxes	1,339	517	1,456	(121)	1,562
Other	17	--	(2)	--	--
Changes in assets and liabilities:					
Accounts receivable	(2,692)	(1,290)	(3,131)	607	(3,388)
Prepaid expenses and other assets	(66)	(449)	(493)	194	(162)
Income taxes receivable	1,362	428	101	--	108
Other assets	(3)	(7)	62	(103)	(1,882)
Accounts payable and accrued expenses	479	521	871	412	752
Net cash provided (used) by operating activities	4,681	5,371	5,940	2,272	(165)
Cash flows used in investing activities:					
Physician group acquisition payments	--	--	(4,938)	--	(11,584)
Purchase of investments	--	--	(34,382)	--	(6,621)
Proceeds from sale of investments	--	--	6,681	--	7,738
Purchase of property and equipment	(1,897)	(578)	(1,861)	(161)	(794)
Net cash used by investing activities	(1,897)	(578)	(34,500)	(161)	(11,261)
Cash flows (used in) from financing activities:					
Borrowings on notes payable	2,359	--	--	--	--
Payments on notes payable	(2,997)	(87)	(64)	(16)	(16)
Proceeds from issuance of common stock	579	590	39,871	--	72
Payments made to retire common stock	(2,585)	(381)	(132)	(13)	(45)
Net cash (used in) provided by financing activities	(2,644)	122	39,675	(29)	11
Net increase (decrease) in cash and cash equivalents	140	4,915	11,115	2,082	(11,415)
Cash and cash equivalents at beginning of year/period	2,329	2,469	7,384	7,384	18,499
Cash and cash equivalents at end of year/period	$ 2,469	$ 7,384	$ 18,499	$9,466	$ 7,084
Supplemental disclosure of cash flow information:					
Cash paid for:					
Interest	$ 125	$ 130	$ 117	$ 28	$ 35
Income taxes	$ 85	$ 2,354	$ 2,943	$ --	$ 66
Non-cash investing and financing activities:					
Accrued and unpaid preferred stock dividends	$ 1,189	$ 1,269	$ 1,040	$ 353	$ --

The accompanying notes are an integral part of these financial statements.

PEDIATRIX MEDICAL GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL:

The principal business activity of Pediatrix Medical Group, Inc. ("Pediatrix" or the "Company") is to provide physician management services to hospital-based neonatal and pediatric intensive care units in twelve states and Puerto Rico. Contractual arrangements with hospitals are 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 professional component of 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.

In September 1995, the Company completed its initial public offering whereby it issued 2,200,000 shares of common stock, resulting in cash proceeds to the Company of approximately $39.7 million. In addition, in connection with the initial public offering, the Company authorized 50,000,000 shares of common stock and 1,000,000 shares of preferred stock.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Presentation

The financial statements (the "consolidated financial statements") include the accounts of Pediatrix consolidated with the accounts of the Pediatrix Medical Group of Florida, Inc. (the "Subsidiary") and combined with the accounts of the professional associations (the "PA Contractors") with which the Company currently has specific management billing arrangements. All significant intercompany and interaffiliate accounts and transactions have been eliminated. The financial statements of the PA Contractors are consolidated with Pediatrix because Pediatrix, as opposed to affiliates of Pediatrix, has unilateral control over the assets and operations of the PA Contractors. Notwithstanding the lack of technical majority ownership, consolidation of the PA Contractors is necessary to present fairly the financial position and results of operations of Pediatrix because of the existence of a parent-subsidiary relationship by means other than record ownership of the PA Contractors' voting common stock. 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.

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. Actual results could differ from those estimates.

Accounts Receivable and Revenues

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. These receivables are presented net of an estimated allowance for contractual adjustments and uncollectibles which is charged to operations based on the Company's evaluation of expected collections resulting from an analysis of current and past due accounts, past collection experience in relation to amounts billed and other relevant information. Contractual adjustments result from the difference between the physician rates for services performed and

reimbursements by government-sponsored healthcare programs and insurance companies for such services. Bad debts are included in contractual allowances and uncollectibles because they are not considered material.

Concentration of credit risk relating to accounts receivable is limited by number, diversity and geographic dispersion of the neonatology 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 35% and 41% of accounts receivable at December 31, 1994 and 1995, respectively.

Cash Equivalents

Cash equivalents are defined as all highly liquid financial instruments with maturities of 90 days or less from the date of purchase. The Company maintains its cash and cash equivalents which consist principally of demand deposits, short-term government securities and amounts on deposit in money market accounts with principally four financial institutions.

Investments

The Company determines the appropriate classification of its investments in debt securities at the time of purchase and reevaluates such determination at each balance sheet date. Investments are classified as available for sale and are carried at fair value, with unrealized gains and losses, net of tax, reported as a separate component of shareholders' equity. Fair value is determined by the most recently traded price of the security at the balance sheet date.

The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and interest income and declines in value judged to be other than temporary are included in investment income. Realized gains and losses are included in earnings using the specific identification method for determining the cost of securities sold.

Investments are stated at fair market value which approximates amortized cost and consist principally of tax exempt municipal obligations (fair value of $19.4 million at December 31, 1995) as well as U.S. government and government agency securities (fair value of $8.3 million at December 31, 1995). The Company's investments in marketable securities represent cash available for current operations and are accordingly classified as current assets.

Property and Equipment

Property and equipment is recorded at cost. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives which range from five to forty years. 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.

Other Assets

Other assets include the excess of cost over the fair value of net assets acquired which is being amortized on a straight-line basis over twenty-five years. In addition, other assets include payments to physicians for non-competition and other agreements which are being amortized over their terms which range from one to five years.

At each balance sheet date following the acquisition of a business, the Company reviews the carrying value of the goodwill to determine if facts and circumstances suggest that it may be impaired or that the amortization period may need to be changed. 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 external factors indicate the goodwill will not be recoverable, as determined based upon undiscounted cash flows before interest charges of the business acquired over the remaining amortization period, the carrying value of the goodwill will be reduced. The Company does not believe there currently are any indicators that would require an adjustment to the carrying value of the goodwill or its estimated periods of recovery at December 31, 1995.

Professional Liability Coverage

The Company maintains professional liability coverage which indemnifies the Company and its employee physicians and independent contractor physicians on a claims made basis with a portion of self insurance retention. The Company records an estimate of its liabilities for claims incurred but not reported based on an actuarial valuation. Such liabilities are not discounted.

Income Taxes

The Company utilizes the liability method of accounting for deferred income taxes. Under this method, 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 follows the practice of recording amounts received upon the exercise of options by crediting common stock and additional paid-in capital. No charge has been reflected in the consolidated statements of operations as a result of the grant or exercise of stock options, as the fair 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.

Change in Accounting Standards

Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" must be implemented by the Company in 1996. This statement requires that long-lived assets and certain intangibles to be held and used by the Company be reviewed for impairment. This pronouncement is not expected to have a material impact on the financial statements of the Company.

SFAS No. 123, "Accounting for Stock-Based Compensation" must also be implemented by the Company in 1996. This pronouncement establishes financial accounting and reporting standards for stock-based employee compensation plans. It encourages, but does not require, companies to recognize compensation expense for grants of stock, stock options and other equity instruments to employees based on new fair value accounting rules. Companies that choose not to adopt the new fair value accounting rules will be required to disclose proforma net income and earnings per share under the new method. The Company anticipates adopting the disclosure provisions of SFAS No. 123, although the impact of such disclosure has not been determined.

Interim Financial Statements

The financial statements at March 31, 1996, and for the three months ended March 31, 1996 and 1995 are unaudited and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of the results of interim periods. The results of operations for the

three months ended March 31, 1996 are not necessarily indicative of the results to be expected for the full year or any other interim period.

Net Income Per Common and Common Equivalent Share (Unaudited)

As a result of the conversion of the preferred stock, which was not determined to be a common stock equivalent, into common stock in connection with the initial public offering, the Company has presented pro forma net income per common and common equivalent share for the years ended December 31, 1994 and 1995 and for the three months ended March 31, 1995. The calculation of the proforma shares is comparable to primary and fully dilutive common and common equivalent shares subsequent to the initial public offering. Pro forma net income per common and common equivalent share is computed based upon the weighted average number of shares of common stock and common stock equivalents, including the number of shares of common stock issuable upon conversion of preferred stock, outstanding during the period. Pursuant to the requirements of the Securities and Exchange Commission (SEC), common stock issued by the Company during the 12 months immediately preceding the initial filing of the registration statement with the SEC, plus common stock equivalents relating to the grant of common stock options during the same period, have been included in the calculation of pro forma weighted average number of common and common stock equivalents outstanding for the years ended December 31, 1994 and 1995, and for the three months ended March 31, 1995, using the treasury stock method and the initial public offering price of $20 per share.

3. ACCOUNTS RECEIVABLE AND NET PATIENT SERVICE REVENUE:

Accounts receivable consist of the following:

	DECEMBER 31,	
	1994	1995
	(IN THOUSANDS)	
Gross accounts receivable	$ 22,211	$ 25,184
Less allowance for contractual adjustments and uncollectibles	(13,246)	(13,088)
	$ 8,965	$ 12,096

Net patient service revenue consists of the following:

	YEARS ENDED DECEMBER 31,		
	1993	1994	1995
	(IN THOUSANDS)		
Gross patient service revenue	$ 45,829	$ 59,405	$ 79,360
Less contractual adjustments and uncollectibles	(25,475)	(30,885)	(40,843)
Hospital contract administrative fees	3,216	4,259	5,343
	$ 23,570	$ 32,779	$ 43,860

4. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	DECEMBER 31,	
	1994	1995
	(IN THOUSANDS)	
Land	$ 389	$1,308
Building	1,608	1,644
Equipment and furniture	1,445	2,104
	3,442	5,056
Less accumulated depreciation	(431)	(748)
Construction in progress	--	241
	$3,011	$4,549

5. OTHER ASSETS:

Other assets consist of the following:

	DECEMBER 31,	
	1994	1995
	(IN THOUSANDS)	
Excess of cost over net assets acquired	$ --	$3,870
Physician agreements	--	1,692
Other	124	106
	124	5,668
Less accumulated amortization	--	(104)
	$124	$5,564

On July 27, 1995, the Company completed the acquisition of the stock of Neonatal and Pediatric Intensive Care Medical Group, Inc. ("NAPIC"), a California professional corporation, in exchange for approximately $3.2 million in cash. In connection with the transaction, the Company has recorded assets of $4.6 million including $3.8 million of goodwill and liabilities of $1.4 million. The Company has accounted for the transaction using the purchase method of accounting for financial reporting purposes and the excess of the cost over fair value of net assets acquired is being amortized on a straight-line basis over 25 years. NAPIC's results of operations have been included in the consolidated financial statements from the date of acquisition.

The following unaudited pro forma information combines the consolidated results of operations of the Company and NAPIC as if the acquisition had occurred on January 1, 1994:

	YEARS ENDED DECEMBER 31,	
	1994	1995
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
Net patient service revenue	$36,527	$45,999
Net income	5,381	6,639
Net income per share	0.47	.54

The pro forma results do not necessarily represent results which would have occurred if the acquisition 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,	
	1994	1995
	(IN THOUSANDS)	
Accounts payable	$ 918	$ 786
Accrued salaries and bonuses	599	779
Accrued payroll taxes and benefits	461	726
Accrued professional liability coverage	500	1,268
Other accrued expenses	306	788
	$2,784	$4,347

7. NOTE PAYABLE:

Note payable consists of the following:

	DECEMBER 31,	
	1994	1995
	(IN THOUSANDS)	
Mortgage payable to bank, interest at prime plus .5% (9.5% at December 31, 1995) quarterly payments of principal of $16,032 plus interest through maturity date of October 4, 1998 at which time the unpaid principal balance of $638,488 is due	$879	$815
Less current portion	64	64
	$815	$751

The Company is required to maintain minimum levels of net income and net worth under the terms of the mortgage agreement. The mortgage is collateralized by the Company's headquarters carried at $1,545,000 at December 31, 1995.

The Company has a revolving line of credit in the amount of $7,000,000 and another $2,000,000 line of credit to cover deductibles under its professional liability insurance policies. Both facilities bear interest at prime plus .5%. The Company did not have an outstanding balance under either line of credit at December 31, 1994 or 1995. The revolving line of credit is collateralized by all tangible personal and intangible property of the Company. The agreement provides for the Company to maintain certain covenants including a requirement that the Company maintain minimum levels of net income and net worth, as defined.

8. PREFERRED STOCK:

On October 26, 1992, the Company issued 4,571,063 shares of 9% voting, redeemable, cumulative convertible Preferred Stock for $13,000,103. Pursuant to the terms of the Preferred Stock Purchase Agreement (the "Agreement"), each share of Preferred Stock was convertible into one share of common stock, subject to adjustments in certain events. The Agreement indicated that upon conversion of the Preferred Stock, all accumulated and unpaid dividends, whether or not declared, since the date of issue up to and including the date of conversion would be forgiven.

On September 25, 1995, in connection with the initial public offering, the Company's Preferred Stock was converted into common stock of the Company and the unpaid dividends of $3,736,589 were forgiven and the redemption value of the Preferred Stock was credited to common stock and additional paid-in capital accounts.

9. INCOME TAXES:

The components of the income tax provision are as follows:

	DECEMBER 31,		
	1993	1994	1995
	(IN THOUSANDS)		
Federal:			
Current	$ 527	$2,460	$2,573
Deferred	1,269	722	1,184
	1,796	3,182	3,757
State:			
Current	--	322	454
Deferred	370	245	264
	370	567	718
Total	$2,166	$3,749	$4,475

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

The effective tax rate on income was 34%, 41% and 40% for the years ended December 31, 1993, 1994 and 1995, respectively. The differences between the effective rate and the U.S. federal income tax statutory rate of 35% are as follows:

	DECEMBER 31,		
	1993	1994	1995
	(IN THOUSANDS)		
Tax at statutory rate	$2,211	$3,205	$3,916
Statutory federal surtax exemption	(63)	(91)	(112)
State income tax, net of federal benefit	60	333	451
Change in valuation allowance	(300)	(450)	--
Other, net	258	752	220
Income tax provision	$2,166	$3,749	$4,475

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

	DECEMBER 31,			
	1994		1995	
	DEFERRED INCOME TAX		DEFERRED INCOME TAX	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
	(IN THOUSANDS)			
Allowances for uncollectible accounts receivable and other expenses recognized on a cash basis by certain PA Contractors	$738	$(1,314)	$389	$(2,711)
Property and equipment	1	(47)	--	(139)
Net operating loss carryforward	151	--	552	--
Total	890	(1,361)	941	(2,850)
Current deferred income taxes	--	(540)	--	(1,909)
Total noncurrent deferred income taxes	$890	$ (821)	$941	$ (941)
Net noncurrent deferred income taxes	$ 69			

The net noncurrent deferred income tax asset for the year ended December 31, 1994, is included in other assets.

The income tax benefits related to the exercise of stock options reduces taxes currently payable and is credited to additional paid-in capital. Such amounts totaled $252,180 for the year ended December 31, 1995.

The Company has net operating loss carryforwards for federal and state tax purposes of approximately $369,000 and $1,377,000 at December 31, 1994 and December 31, 1995, respectively, expiring at various times commencing in 1997.

As of December 31, 1995, U.S. Federal Income Tax Returns for 1992 and 1993 were in the process of examination by the Internal Revenue Service, which the Company believes will propose certain adjustments for additional taxes and interest. The Company believes that the tax returns are substantially correct as filed and intends to vigorously contest any proposed adjustments. The Company believes that the amounts that have been provided are adequate and that the ultimate resolution of the examination will result in no material impact on the Company's consolidated results of operations, financial position or cash flows.

10. 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.

11. 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 elect to defer up to 15% of their annual compensation by contributing amounts to the Plan. The Company approved contributions of $375,339, $473,249 and $559,125 to the Plan during the years ended December 31, 1993, 1994 and 1995, respectively.

12. HISTORICAL NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE:

Net income per common and common equivalent share on a historical basis, both primary and fully diluted, are as follows:

	YEARS ENDED DECEMBER 31,		
	1993	1994	1995
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Income applicable to common stock:			
Net income	$4,150	$5,407	$6,713
Less: preferred stock dividends	1,189	1,296	1,040
Income applicable to common stock	$2,961	$4,111	$5,673
Net income per share:			
Primary	$ 0.43	$ 0.60	$ 0.65
Fully diluted	$ 0.36	$ 0.47	$ 0.55
Weighted average number of common and common equivalent shares outstanding:			
Primary	6,833	6,853	8,773
Fully diluted	11,415	11,430	12,216

Primary net income per common and common equivalent share is computed by dividing net income available to common shareholders by the weighted average number of common and common equivalent shares outstanding during the period. The voting, redeemable, cumulative convertible preferred stock issued in October 1992 was determined not to be a common stock equivalent. In computing primary net income per share, preferred stock dividends reduce income available to common shareholders. Fully diluted net income per share is computed by dividing net income by the weighted average number of common and common equivalent shares outstanding during the period and includes 4,571,063 shares of common stock assumed to be issued upon conversion of all shares of the preferred stock described in Note 8 for December 31, 1993 and 1994.

Pursuant to the requirements of the SEC, common stock issued by the Company plus common stock equivalents relating to the grant of common stock options, during the twelve months immediately preceding the initial filing of the registration statement with the SEC, have been included in the calculation of the weighted average number of common and common equivalent shares outstanding on a primary and fully diluted basis for the years ended December 31, 1993, 1994 and 1995, using the treasury stock method and the initial public offering price of $20 per share.

13. STOCK OPTION PLAN:

In 1993, the Company's Board of Directors authorized a stock option plan. Under the 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 ten years from the date of grant. The stock options become exercisable on a prorata basis over a three year period from the date of grant. As of January 18, 1995, 1,500,000 options were authorized by the Company's Board of Directors and the previously issued options were confirmed. The additional authorization of options resulted in 268,300 options available for grant as of that date.

Pertinent information covering the stock option plan is as follows:

	NUMBER OF SHARES	OPTION PRICE PER SHARE	EXPIRATION DATE
Outstanding at December 31, 1993	200,000	$ 2.84-$ 3.12	2003
Granted	1,035,450	$ 5.00-$10.00	
Canceled	(3,750)	$ 5.00	
Outstanding at December 31, 1994	1,231,700	$ 2.84-$10.00	2003-2004
Granted	841,500	$10.00-$21.50	
Canceled	(324,583)	$ 3.12-$12.50	
Exercised	(39,709)	$ 3.12-$10.00	
Outstanding at December 31, 1995	1,708,908	$ 2.84-$21.50	2003-2005
Exercisable at December 31, 1995	306,872	$ 2.84-$10.00	

14. SUBSEQUENT EVENTS:

Subsequent to year end, the Company completed acquisitions of three neonatology and pediatric physician group practices for a total of approximately $11 million cash. The agreements provide for additional payments of up to $2 million in 1997 based upon achievement of certain operating targets. The acquisitions will be accounted for using the purchase method of accounting.

15. SUBSEQUENT EVENTS (UNAUDITED):

During the second quarter of 1996, the Company completed acquisitions of three neonatology and pediatric physician group practices:

- On May 1, 1996, the Company, through its PA Contractors, acquired the stock of Rocky Mountain Neonatology, P.C., a Colorado professional corporation, in exchange for approximately $7.2 million in cash.

- On May 30, 1996, the Company, through its PA Contractors, acquired certain assets of West Texas Neonatal Associates, a Texas general partnership, in exchange for approximately $5.25 million in cash.

- On June 6, 1996, the Company, through its PA Contractors, acquired certain assets of Infant Care Specialists Medical Group, Inc., a California professional corporation, in exchange for approximately $6 million in cash.

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.

The following unaudited pro forma consolidated results of operations give effect to the acquisitions completed in 1996 as if they had occurred as of January 1, 1995 and do not purport to be indicative of what would have occurred had the acquisitions actually been made as of such date or of results which may occur in the future. Adjustments made in arriving at these results include the reduction of certain amounts of compensation, bonuses and other benefits paid principally to shareholders and other physicians, the reduction

in the cost of malpractice insurance, the amortization of goodwill, the elimination of investment income assumed to be used for the acquisitions and the application of the Company's effective tax rate on the combined earnings.

	YEAR ENDED DECEMBER 31, 1995	THREE MONTHS ENDED MARCH 31, 1996
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
Net patient service revenue	$69,423	$ 21,342
Net income	7,097	2,802
Net income per share	.58	.20

On May 14, 1996, the Company received the Internal Revenue Service's (IRS) proposed adjustments to the Company's tax liability in connection with its examination of the Company's 1992, 1993, and 1994 federal income tax returns as discussed in Note 9 to the Consolidated Financial Statements. The IRS has challenged certain deductions that, if disallowed, would result in additional taxes of approximately $4.5 million, plus interest. The Company and its tax advisors are in the process of preparing a response to the IRS. The Company and its tax advisors believe that the tax returns are substantially correct as filed and intend to vigorously contest the proposed adjustments. The Company and its tax advisors also believe that the amounts that have been provided for income taxes are adequate and that the ultimate resolution of the examination will not result in a material adverse effect on the Company's consolidated results of operations, financial position or cash flows.

NEONATAL AND PEDIATRIC INTENSIVE CARE MEDICAL GROUP, INC.

FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors
Neonatal and Pediatric Intensive Care Medical Group, Inc.

We have audited the accompanying balance sheet of Neonatal and Pediatric Intensive Care Medical Group, Inc. as of December 31, 1994 and the related statements of operations, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Neonatal and Pediatric Intensive Care Medical Group, Inc. as of December 31, 1994, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Los Angeles, California
July 21, 1995

NEONATAL AND PEDIATRIC INTENSIVE CARE MEDICAL GROUP, INC.

BALANCE SHEETS

	DECEMBER 31, 1994	JUNE 30, 1995 (UNAUDITED)
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 194,916	$ 194,831
Accounts receivable, net of allowance for uncollectibles of $129,046 at December 31, 1994 and $153,435 at June 30, 1995	788,809	698,275
Income tax receivable	10,982	10,982
Equity securities available for sale	22,582	83,607
Prepaid expenses and other assets	33,230	37,059
Total current assets	1,050,519	1,024,754
Equipment, net of accumulated depreciation of $14,093 at December 31, 1994 and $14,263 at June 30, 1995	1,555	1,385
Deferred tax asset	63,487	81,207
Other assets	58,804	72,808
Total assets	$ 1,174,365	$ 1,180,154
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable and accrued expenses	$ 246,886	$ 319,835
Deferred revenue	122,500	17,500
Deferred tax liability	222,324	236,829
Total current liabilities	591,710	574,164
Professional claims liability	234,456	320,098
Total liabilities	826,166	894,262
Commitments and contingencies		
Stockholders' equity:		
Common stock; no par value, 100,000 shares authorized, 60,000 shares issued and outstanding	135,000	135,000
Unrealized valuation adjustment, net of tax effect	835	12,041
Retained earnings	212,364	138,851
Total stockholders' equity	348,199	285,892
Total liabilities and stockholders' equity	$ 1,174,365	$ 1,180,154

See accompanying notes.

NEONATAL AND PEDIATRIC INTENSIVE CARE MEDICAL GROUP, INC.

STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31, 1994	SIX MONTHS ENDED JUNE 30, 1995 (UNAUDITED)
Operating revenues:		
Net patient service revenue	$ 3,748,454	$ 2,139,730
Operating expenses:		
Stockholders' compensation and benefits	1,935,454	1,011,851
Salaries and benefits	1,280,441	860,133
Supplies and other operating expenses	568,523	356,334
Depreciation	2,651	170
Total operating expenses	3,787,069	2,228,488
Loss from operations	(38,615)	(88,758)
Other income	15,462	4,376
Loss before income taxes	(23,153)	(84,382)
Income tax provision (benefit)	3,572	(10,869)
Net loss	$ (26,725)	$ (73,513)

See accompanying notes.

NEONATAL AND PEDIATRIC INTENSIVE CARE MEDICAL GROUP, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

	COMMON STOCK				
	NUMBER OF SHARES	AMOUNT	RETAINED EARNINGS	UNREALIZED VALUATION ADJUSTMENT	TOTAL
Balance at December 31, 1993	60,000	$135,000	$ 239,089	$ 6,820	$ 380,909
Unrealized valuation adjustment, net of tax effect of ($4,168)	--	--	--	(5,985)	(5,985)
Net loss	--	--	(26,725)	--	(26,725)
Balance at December 31, 1994	60,000	135,000	212,364	835	348,199
Unrealized valuation adjustment, net of tax effect of $11,206 (unaudited)	--	--	--	11,206	11,206
Net loss (unaudited)	--	--	(73,513)	--	(73,513)
Balance at June 30, 1995 (unaudited)	60,000	$135,000	$ 138,851	$ 12,041	$ 285,892

See accompanying notes.

NEONATAL AND PEDIATRIC INTENSIVE CARE MEDICAL GROUP, INC.

STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 1994	SIX MONTHS ENDED JUNE 30, 1995 (UNAUDITED)
Cash flows from operating activities:		
Net loss	$ (26,725)	$ (73,513)
Adjustments to reconcile net loss to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation	2,651	170
Provision for uncollectible accounts	129,046	24,389
Provision for deferred taxes	3,767	7,992
Changes in assets and liabilities:		
Accounts receivable	(306,184)	66,145
Prepaid expenses and other assets	(29,347)	(17,835)
Accounts payable and accrued expenses	25,268	72,950
Deferred revenues	40,833	(105,000)
Professional claims liability	37,550	85,642
Net cash provided by (used in) operating activities	(123,141)	60,940
Cash flows from investing activities:		
Purchase of equity securities	(183,079)	(149,399)
Sale of equity securities	212,822	88,374
Purchase of property and equipment	(4,856)	--
Net cash provided by (used in) investing activities	24,887	(61,025)
Net decrease in cash and cash equivalents	(98,254)	(85)
Cash and cash equivalents at beginning of year	293,170	194,916
Cash and cash equivalents at end of year	$ 194,916	194,831
Supplemental disclosure of cash flow information:		
Cash paid for taxes	$ 10,641	$ 800

See accompanying notes.

NEONATAL AND PEDIATRIC INTENSIVE CARE MEDICAL GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

1. GENERAL:

The principal business activity of Neonatal and Pediatric Intensive Medical Care Group, Inc. ("the Company") is to provide physician services to hospital-based neonatal and pediatric intensive care units. Contractual arrangements with hospitals are: (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 professional component of 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 for the services provided. In addition, the Company has a revenue sharing agreement with another medical group which also provides services at certain hospitals where the Company provides services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Accounts Receivable and Revenues

Accounts receivable are primarily amounts due under discounted fee-for-service contracts with hospitals, medical groups and third-party payors, such as insurance companies, self-insured employers, patients and government-sponsored health care programs in the State of California. These receivables are presented net of contractual adjustments and an estimated allowance for uncollectibles which is charged to operations based on an evaluation of expected collections resulting from an analysis of current and past due accounts, past collection experience in relation to amounts billed and other relevant information. Contractual adjustments result from the difference between the physician rates for services performed, including withholding provisions, and reimbursement by government-sponsored healthcare programs and insurance companies for such services. Bad debts are included in contractual allowances and uncollectibles because they are not considered material.

Concentration of credit risk relating to accounts receivable is limited by the number and diversity of the neonatology units managed by the Company, as well as by the large number of patients and payors. Approximately one-third of the Company's net patient service revenue is derived from Medi-Cal, the California Medicaid program. Receivables from Medi-Cal made up approximately 13% of accounts receivable at December 31, 1994.

Deferred Revenues

The Company receives certain fees from hospitals for its services which are paid in advance. The payments are recognized as earned on a straight-line basis over the remaining contract period.

Cash and Cash Equivalents

Cash and 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 its cash and cash equivalents which consist primarily of demand deposits, amounts on deposit in a money market account with principally one financial institution and short-term government securities which subjects it to concentrations of credit risk. At times such balances may exceed the Federal Deposit Insurance Corporation limits.

Property and Equipment

Property and equipment is recorded at cost. Depreciation of property and equipment is computed on the double-declining-balance method over the estimated useful lives of five years. 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 reflected in operations.

Professional Liability Coverage

The Company maintains professional liability coverage which indemnifies the Company and its stockholder and employee physicians and independent contractor physicians on a claims-made basis. The Company records an estimate of its liabilities for claims incurred but not reported. Such liabilities are not discounted.

Income Taxes

The Company computes its income taxes utilizing Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes,"which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted rates in effect for the year in which the differences are expected to reverse.

Investments

The Company accounts for its investments in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities ("SFAS NO. 115").

This Statement classifies investments into one of three categories: held-to-maturity, available-for-sale, or trading. Debt securities that an enterprise has the positive intent and ability to hold to maturity are classified as held-to-maturity and reported at amortized cost. Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value with unrealized gains and losses included in earnings. Debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as available-for-sale and reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of shareholders' equity.

The Company classifies its investments as available-for-sale. The basis on which cost is determined is the specific identification method which the Company uses when computing realized gains and losses. Gains of $10,623 and losses of $5,861 were realized on the sale of investments in securities for the year ended December 31, 1994. Gains and losses for the six months ended June 30, 1995 were $841 and $395, respectively. Gross unrealized gains and losses were $1,996 and $580, at December 31, 1994 and $20,310 and $650 at June 30, 1995, respectively.

Charity Care

The Company provides care to patients who meet certain criteria under its charity care policy without charge. Because the Company does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

3. INCOME TAXES:

The following table presents the current and deferred income tax provision (benefit) for federal and state income taxes:

	YEAR ENDED DECEMBER 31, 1994	SIX MONTHS ENDED JUNE 30, 1995 (UNAUDITED)
Current:		
Federal	$ (10,982)	$ --
State	800	800
	(10,182)	800
Deferred:		
Federal	11,920	(10,390)
State	1,834	(1,279)
	13,754	(11,669)
	$ 3,572	$ (10,869)

The provision for income taxes differs from the amount obtained by applying the federal statutory income tax rate to income before provision for income taxes as follows:

	YEAR ENDED DECEMBER 31, 1994	SIX MONTHS ENDED JUNE 30, 1995 (UNAUDITED)
Federal statutory rate	35.0%	35.0%
State income tax, net of federal benefit	(7.4)	.4
Change in valuation allowance	(21.9)	(20.3)
Officer's life insurance	(16.3)	(2.2)
Meals and entertainment	(6.0)	(.2)
Other, net	1.2	.2
	(15.4)%	12.9%

The deferred tax asset/(liability) is comprised of the following:

	DECEMBER 31, 1994	JUNE 30, 1995
Deferred tax asset (long-term):		
Professional claims liability	$ 103,864	$ 141,803
Other	(14,518)	(13,571)
	89,346	128,232
Less: valuation adjustment	(25,859)	(47,025)
	$ 63,487	$ 81,207
Deferred tax liability (short-term):		
Allowance for uncollectibles	$ 57,167	$ 67,972
Deferred revenue	54,268	7,753
Accrual to cash adjustments	(333,458)	(303,798)
Other	(301)	(8,756)
	$(222,324)	$(236,829)

The change in the valuation allowance increased by $5,070 in the year ended December 31, 1994 and $21,166 for the six months ended June 30, 1995.

At December 31, 1994 the Company had a state net operating loss carryforward (NOL) of approximately $6,000 which will expire in 1999. At June 30, 1995 the Company had federal and state net operating losses of approximately $47,000 and $40,000, respectively, which will expire in 2010 and 2000, respectively.

The acquisition of the Company referred to in Note 8 will constitute a change in control under both Section 382 of the Internal Revenue Code and related state law. As a result, the amount of NOL carryovers that may be utilized in a tax year subsequent to the acquisition is limited to the "long-term tax exempt rate" (presently 5.88% for ownership changes during August 1995) times the value of the Company. The value of the Company is subject to specific rules under section 382 of the Internal Revenue Code and related state tax law.

The sources of deferred taxes and the tax effect of each are as follows:

	YEAR ENDED DECEMBER 31, 1994	SIX MONTHS ENDED JUNE 30, 1995
		(UNAUDITED)
Allowance for uncollectibles	$ 57,167	$ 10,804
Accrual to cash adjustments	(71,659)	29,660
Deferred revenue	18,089	(46,515)
Professional claims liability	16,634	37,939
Other	(29,243)	(17,714)
Net operating loss	1,507	18,661
	(7,505)	32,835
Valuation allowance	(6,249)	(21,166)
	(13,754)	11,669
Unrealized valuation adjustment (reflected in the statement of stockholders' equity)	4,168	(11,206)
	$ (9,586)	$ 463

4. ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Accounts payable and accrued expenses consist of the following:

	DECEMBER 31, 1994	JUNE 30, 1995
		(UNAUDITED)
Accrued retirement	$ 229,000	$229,000
Accrued vacation	14,141	15,386
Accounts payable	3,745	75,449
	$ 246,886	$319,835

5. RELATED-PARTY TRANSACTIONS:

For the year ended December 31, 1994, the Company paid approximately $84,000 ($52,000 for the six months ended June 30, 1995) in billing fees to a company for the billing and collection of revenue (the "Billing Company") in which certain shareholders of the Company have a controlling ownership. In addition, the Company rents certain employees to the Billing Company at its cost. The reimbursement for these services is presented net in the accompanying statement of operations and amounted to approximately $81,000 in 1994 and $48,000 for the six months ended June 30, 1995.

6. RETIREMENT PLANS:

The Company has two qualified defined contribution employee benefit plans (the "Plans") as allowed under Section 401 of the Internal Revenue Code, which include a 401(k)/profit-sharing plan ("401(k) Plan") and a money purchase plan ("Money Purchase Plan") which covers substantially all employees. Employees who have completed 12 months of service and are at least 21 years old are eligible to participate and will become participants in the Plans following eligibility effective on certain dates which are based on each of the Plans' years.

The 401(k) Plan permits participant contributions and a discretionary amount determined by the Company which are fully vested upon contribution. In addition, the Company may elect to contribute from the profits of the Company up to 15% of its annual compensation expense (as defined in the Plan) which is allocated to each participant based on a relationship of his/her compensation to total compensation, with graduated vesting over 6 years of service.

Under the provisions of the Money Purchase Plan, the Company shall contribute to the Plan on behalf of each eligible participant an amount equal to approximately 6.13% of the participant's compensation (as defined in the Plan) for such Plan year which is subject to certain limitations. These amounts are allocated to each participant based on a relationship of his/her compensation to total compensation with graduated vesting over 7 years of service.

The Company approved contributions of $229,000 to the Plans which were expensed for the year ended December 31, 1994.

7. COMMITMENTS:

The Company has employment agreements with certain employee physicians that expire in various months ranging from June to September 1995. As of December 31, 1994 the terms of the agreements commit the Company to pay approximately $374,000 ($43,000 at June 30, 1995) in compensation for the remainder of the agreements' terms. In addition, the agreements provide the Company with the right to automatically extend the agreements, unless the employee gives appropriate notice as defined in each agreement.

8. SUBSEQUENT EVENT:

On June 13, 1995, the Company announced it had reached an agreement in principle to be acquired by Pediatrix Medical Group of California, P.C., a separate legal entity that contracts with Pediatrix Medical Group, Inc., in a stock transaction in exchange for cash.

Consummation of the sale is conditioned upon satisfactory resolution of the following items: the satisfactory completion of due diligence by Pediatrix, the successful negotiation of arrangements with the hospitals now serviced by the Company and the successful negotiation of any other professional relationships necessary to effectuate a continuum of the Company's professional services presently rendered.

INDEPENDENT AUDITORS' REPORT

The Shareholders and Board of Directors
Neonatal Specialists, Ltd.
Phoenix, Arizona

We have audited the accompanying balance sheet of Neonatal Specialists, Ltd. as of December 31, 1995, and the related statements of income and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of Neonatal Specialists, Ltd.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 financial statements present fairly, in all material respects, the financial position of Neonatal Specialists, Ltd. as of December 31, 1995, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

Johnson & Moser, Ltd.

Scottsdale, Arizona
February 22, 1996

NEONATAL SPECIALISTS, LTD.

BALANCE SHEET
DECEMBER 31, 1995

ASSETS:

Current assets:	
Cash	$ 3,456
Accounts Receivable -- Net (Note 1)	851,180
Stockholder's Advances (Note 2)	2,646
Other Receivables (Note 2)	88,169
Deposits	1,090
Total current assets	$946,541

LIABILITIES AND STOCKHOLDERS' EQUITY:

Current liabilities:	
Accounts Payable	$ 22,313
Other Payables (Note 2)	146,835
Interest Payable	1,086
Payroll Taxes Payable	2,199
Profit Sharing Plan Payable (Note 4)	53,236
Treasury Stock Payable (Note 3)	20,947
Deferred Compensation (Note 3)	133,365
Total current liabilities	379,981
Stockholders' equity:	
Common Stock, $10 Par Value, 255 Shares Issued	2,550
Retained Earnings	604,010
	606,560
Treasury Stock, 102 Shares, at Cost (Note 3)	(40,000)
Total stockholders' equity	566,560
Total liabilities and stockholders' equity	$946,541

See accompanying notes to financial statements.

NEONATAL SPECIALISTS, LTD.

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1995

Medical revenues, net of patient refunds	$4,086,713
Operating expenses	3,716,612
Total operating income	370,101
Other income (expenses):	
Other Income	36,777
Interest Income	5,438
Interest Expense	(7,521)
Net Income -- Other	34,694
Net income	404,795
Retained earnings at beginning of year	199,215
Retained earnings at end of year	$ 604,010

See accompanying notes to financial statements.

NEONATAL SPECIALISTS, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1995

Cash flows from operating activities:	
Net Income	$ 404,795
Adjustments to reconcile net income to net cash used by operating activities:	
(Increase) Decrease in Assets:	
Accounts Receivable -- Net	54,503
Other Receivables	(88,169)
Stockholder's Advances	(2,646)
Deposits	1,070
Increase (Decrease) in Liabilities:	
Accounts Payable	1,676
Other Payables	146,836
Interest Payable	(204)
Payroll Taxes Payable	(167,216)
Income Taxes Payable	(2,155)
Profit Sharing Plan Payable	22,690
Treasury Stock Payable	(17,403)
Deferred Compensation	(40,535)
Net cash provided by operating activities	313,242
Cash flows from financing activities:	
Distributions to Stockholders	(430,452)
Net decrease in cash and equivalents	(117,210)
Cash and equivalents at beginning of year	120,666
Cash and equivalents at end of year	$ 3,456

See accompanying notes to financial statements.

NEONATAL SPECIALISTS, LTD.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1995

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Neonatal Specialists, Ltd.'s ("Company") financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Business Activities

The Company is a professional corporation. The stockholders are physicians specializing in the field of neonatology. The area of service is mainly in Phoenix, Arizona. The Company receives patients from a wider geographical area serviced by transport/air ambulance services. Services are provided within hospital settings, based on contracts between the Company and the various hospitals. The Company has fee agreements with the State of Arizona and insurance providers.

Accounts Receivable

Accounts receivable are primarily amounts due under discounted fee-for-service contracts with hospitals and third-party payors, such as insurance companies and government-sponsored health care programs in the State of Arizona. These receivables are presented net of contractual adjustments and an estimated allowance for uncollectibles of $244,000 which is charged to operations based on an evaluation of expected collections resulting from an analysis of current and past due accounts, past collection experience in relation to amounts billed and other relevant information. Contractual adjustments result from the difference between the physician rates for services performed, including withholding provisions, and reimbursement by government-sponsored healthcare programs and insurance companies for such services.

S Corporation -- Income Tax Status

The Company elected the C Corporation status in 1991. In 1995, this election was changed to an S Corporation.

In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. As a result, provision or liability for federal and state income taxes has not been included in the financial statements.

Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

NOTE 2 -- RELATED PARTY TRANSACTIONS

The Company has entered into contractual agreements with two related parties. CMJ Leasing, L.P. leases fixed assets to the Company. Med-Support, L.P. leases employees to the Company.

For the year ended December 31, 1995, total expenses charged to the Company by CMJ Leasing, L.P. and Med-Support, L.P. were $36,000 and $1,613,160, respectively. At year-end, the Company was owed $87,169 by CMJ Leasing, L.P., but owed Med-Support, L.P. $145,835.

As of December 31, 1995, one stockholder had been advanced $2,646 on a non-interest bearing basis.

NEONATAL SPECIALISTS, LTD.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 3 -- TREASURY STOCK AND DEFERRED COMPENSATION PAYABLES

Deferred compensation and payments for the Company's treasury stock are paid to former stockholders. In 1994, the Company entered into a contract to buy back stock from former stockholders. Part of the agreement included deferred compensation to the former stockholders.

NOTE 4 -- RETIREMENT PLANS

The Company covers substantially all of its employees under two qualified defined contribution employee benefit plans (the "Plans") as allowed under Section 401 of the Internal Revenue Code. The Plans include a profit sharing plan ("Profit Sharing Plan") and a money purchase plan ("Money Purchase Plan"). Employees who have completed 12 months of service and are at least 21 years old are eligible to participate and will become participants in the Plans following eligibility effective on certain dates which are based on each of the Plan's years. The participants of the Plans with less than five years of service are subject to a vesting schedule, with less than one year of service having 0% vested and for 1-5 years, 20% vested per year beginning with the completion of the first year. Vesting of 100% occurs when the participants reach normal retirement age or upon death or disability prior to the completion of the 5 years of service. The Plans cover all "Leased Employees" as determined in accordance with Section 414(n)(6) of the Internal Revenue Code.

Under the provisions of the Profit Sharing Plan, the Company may elect to contribute from the profits of the Company a percentage of annual compensation expense, as defined. The amount allocated to each participant is based on the percentage of his/her compensation to the total compensation of the Company.

The Money Purchase Plan directs the Company to contribute to the Plan on behalf of each eligible participant an amount equal to 5% of the participant's annual compensation, as defined, subject to certain limitations. The amount allocated to each participant is based on the percentage of his/her compensation to the total compensation of the Company.

NOTE 5 -- CONTINGENT LIABILITY

The Company has an automobile lease for an employee of Med-Support, L.P. The balance due as of December 31, 1995, was $5,338, and is due to be paid off by December 31, 1996. The Company's stockholders are liable for the remainder of the payments.

NOTE 6 -- CASH FLOW INFORMATION

Supplemental cash flow information relative to cash payments for the year ended December 31, 1995 is as follows:

Interest	$6,435
Income Taxes	$2,155

NOTE 7 -- SUBSEQUENT EVENTS

Sale of Business

On January 16, 1996, the Company's stockholders sold all outstanding shares of the Company to an affiliate of Florida-based Pediatrix Medical Group, Inc. a publicly held company traded on NASDAQ, for an amount in excess of book value. As part of the sales agreement, the treasury stock and deferred compensation debts were paid in full by the Company's stockholders.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Pediatric and Newborn Consultants, PC

I have audited the accompanying balance sheet of Pediatric and Newborn Consultants, PC as of December 31, 1995 and the related statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Pediatric and Newborn Consultants, PC's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pediatric and Newborn Consultants, PC as of December 31, 1995 and the results of its activities and its cash flows for the year then ended in conformity with generally accepted accounting principles.

DEON E. FITCH, CPA

Englewood, Colorado
March 15, 1996

PEDIATRIC AND NEWBORN CONSULTANTS, PC

BALANCE SHEET

	DECEMBER 31, 1995
ASSETS	
Current assets	
Cash	$ 10,596
Accounts receivable, net	426,402
Stockholder loans	8,289
	445,287
Property and equipment	
Equipment and furnishings	18,893
Less accumulated depreciation	(18,795)
	98
Other assets	
Deferred sales commissions	20,175
Unamortized organization costs	800
Security deposit	400
	21,375
Total assets	$ 466,760
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities	
Accounts payable and withheld taxes	$ 9,958
Accrued retirement plan contributions	35,875
Deferred compensation	12,490
	58,323
Stockholders' equity	
Common stock, no par value, 10,000 shares authorized, 5,000 shares issued and outstanding	5,098
Retained earnings	403,339
	408,437
Total liabilities and stockholders' equity	$ 466,760

The accompanying notes are an integral part of these financial statements.

PEDIATRIC AND NEWBORN CONSULTANTS, PC

STATEMENT OF EARNINGS AND RETAINED EARNINGS

	YEAR ENDED DECEMBER 31, 1995
Revenue	
Hospital contracts	$ 676,412
Patient fees, net	1,646,635
Total revenue	2,323,047
Expense	
Salaries and wages	
Physicians	1,463,005
Staff physicians	230,221
Physician assistants and administrative	95,560
Payroll taxes and employee benefits	79,998
Retirement benefits	131,989
Contract office services	17,576
Amortization	200
Professional development	3,375
Practice development	30,902
Contract medical coverage	16,500
Office	15,708
Hospital dues and licenses	5,050
Malpractice insurance	39,596
Billing services	80,084
Professional fees	11,838
Vehicle	19,663
Charitable contributions	1,875
Total expense	2,243,140
Net earnings	79,907
Retained earnings, beginning	--
Transfer of accounts receivable and accounts payable on incorporation, accrual basis	323,432
Retained earnings, ending	$ 403,339

The accompanying notes are an integral part of these financial statements.

PEDIATRIC AND NEWBORN CONSULTANTS, PC

STATEMENT OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 1995
Cash flows from operating activities	$ 2,237,294
Cash received from fees and services	(2,201,834)
Cash paid to employees and other	
Net cash provided from operating activities	35,460
Cash flows from (used in) investing activities	
Stockholder loans	(8,289)
Deferred sales commissions	(20,175)
Organization costs	(1,000)
Security deposit	(400)
Net cash used in investing activities	(29,864)
Cash flows from financing activities	
Proceeds from issuance of common stock	5,000
Net cash from financing activities	5,000
Net increase in cash	10,596
Cash, beginning of year	--
Cash, end of year	$ 10,596
Reconciliation of net earnings to net cash provided by operating activities:	
Net earnings	$ 79,907
Adjustments	
Amortization	200
Increase in receivables	(85,753)
Increase in payables	41,106
Net cash provided from operating activities	$ 35,460
Supplemental schedule of non-cash transactions	
Non-cash transfers of assets and liabilities on incorporation:	
Net property transfer in exchange for common stock	$ 98
Transfer of accounts receivable, retained earnings, beginning	$ 340,649
Transfer of accounts payable, retained earnings, beginning	(17,217)
Net transfer of accounts receivable and payables on incorporation	$ 323,432

The accompanying notes are an integral part of these statements.

PEDIATRIC AND NEWBORN CONSULTANTS, PC

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Pediatric and Newborn Consultants, PC, a Colorado professional service corporation and hereafter referred to as PNC, was formed to provide neonatal and pediatric services through the practice of medicine in Colorado. PNC commenced operations in January, 1995 as a continuation of Pediatric and Newborn Consultants, a general partnership.

PNC uses the modified-cash method of accounting for reporting the results of its activities for financial statement and income tax purposes. Under this method, revenues are reported when received, expenses when paid and retirement plan contributions when incurred.

The accompanying special purpose financial statements have been prepared on the accrual basis.

Accounts Receivable, Contractual Adjustments

Accounts receivable is composed of outstanding patient fees and services, net of estimated uncollectible accounts and contractual adjustments based on collection experience.

	DECEMBER 31, 1995	DECEMBER 31, 1994
Accounts receivable	$ 802,538	$ 720,379
Estimated uncollectible accounts	(146,535)	(196,304)
Contractual adjustments	(229,601)	(183,426)
Accounts receivable, net	$ 426,402	$ 340,649

Property

Fully depreciated property of $18,893 is still in use as of December 31, 1995.

Statement of Cash Flows

For the purposes of the statement of cash flows, PNC considers all highly liquid debt instruments purchased with a maturity of three months or less and certificates of deposits to be cash.

Income Taxes

PNC and its shareholders have elected to be classified as an S corporation for federal and state income tax purposes and accordingly all items subject to taxation generally pass-through the corporation and are taxed in conjunction with the shareholder's individual income tax returns.

Deferred Compensation

In April, 1995, in accordance with the terms and conditions of an employment agreement, PNC agreed to pay a terminating physician/shareholder a portion of the outstanding accounts receivable as of April 30, 1995 as collected. In February, 1996, PNC negotiated a final settlement for the compensation obligation.

Retirement Plans

PNC maintains a money-purchase pension plan and a profit-sharing plan for some of its eligible employees with one year of full-time service. Contributions to the money purchase pension plan are based on compensation, integrated with social security and subject to a vesting schedule on termination of employment. Contributions to the profit-sharing plan are at the discretion of the board of directors, based on compensation and subject to a vesting schedule on termination of employment.

During 1995, PNC allocated the following amounts to its retirement plans.

PARTICIPANTS	MONEY PURCHASE PENSION	PROFIT-SHARING	TOTAL
Physician/shareholders	$ 40,835	$ 49,165	$ 90,000
Staff	16,455	25,534	41,989
Totals	$ 57,290	$ 74,699	$131,989

In conjunction with the sale of its professional practice, PNC has agreed to terminate its retirement plans on or before December 31, 1996 and provide full vesting for all plan participants.

Incorporation and Issuance of Common Stock

On January 3, 1995, the partners of Pediatric and Newborn Consultants, a general partnership, transferred their interests in the partnership's assets including outstanding accounts receivable, accounts payable, work in progress and cash in the amount of $5,000 to Pediatric and Newborn Consultants, PC in exchange for 5,000 shares of no par value, common stock of Pediatric and Newborn Consultants, PC.

2. COMMITMENTS AND CONTINGENCIES

Revenue and Support

PNC derives substantially all of its revenue including interrelated patient fees, use of office and clinic facilities and administrative services from various short-term, renewable contracts with some of the hospitals in the metro-Denver area. Should a significant reduction in the level of this revenue and support occur, PNC programs and activities may be affected.

The value of the use of the office and clinic facilities and administrative services applicable to these contracts has not been reflected in the accompanying financial statements.

Office Facility

In December, 1995, PNC secured an office facility for a one year term beginning January 1, 1996. Under the lease, rent in the amount of $400 per month plus a prorata share of the monthly maintenance is payable during the term.

3. SUBSEQUENT EVENTS

Sale of Professional Practice

In December, 1995, PNC and its shareholders negotiated a letter of intent to sell, assign and transfer all of its assets, hospital contracts, business rights/goodwill and restrictive covenants, excluding cash and outstanding accounts receivable and payable to Pediatrix Medical Group of Colorado, P.C., a separate legal entity that contracts with Pediatrix Medical Group, Inc.

Final negotiations for the sale and assignment, which includes contingent, additional sales consideration based on productivity and activities during the one-year, post-closing period, were completed on January 29, 1996. Subsequent to the sale, PNC became a nonprofessional service corporation.

Deferred Sales Commissions Agreement

In conjunction with the sale of the professional practice, PNC contracted with Nord Capital Group, Inc. to assist in the negotiations. In addition to the sales commissions applicable to the completed portions of the sales agreement, PNC agreed to assign an undivided six percent interest in its contingent, additional sales consideration arrangement applicable to the one-year, post-closing period.

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors
Rocky Mountain Neonatology, P.C.

We have audited the accompanying balance sheet of Rocky Mountain Neonatology, P.C. as of December 31, 1995 and the related statements of operations, stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Rocky Mountain Neonatology, P.C. as of December 31, 1995, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Fort Lauderdale, Florida
June 17, 1996

ROCKY MOUNTAIN NEONATOLOGY, P.C.

BALANCE SHEETS

	DECEMBER 31, 1995	MARCH 31, 1996 (UNAUDITED)
ASSETS		
Current assets:		
Cash and cash equivalents	$157,095	$ 477,879
Accounts receivable, net	634,267	675,926
Prepaid expenses	77,607	62,566
Total current assets	868,969	1,216,371
Furniture and equipment, net of accumulated depreciation of $2,737 at December 31, 1995 and $2,949 at March 31, 1996	1,878	1,666
Total assets	$870,847	$1,218,037
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 18,679	$ 20,188
Salaries payable	--	371,640
Patient overpayments	83,276	89,521
Hospital salary reimbursement payable	83,329	25,000
Professional claims liability	72,842	72,842
Deferred tax liability	233,131	243,059
Total current liabilities	491,257	822,250
Commitments (Note 6)		
Stockholders' equity:		
Common stock; $1 par value, 50,000 shares authorized, 6,000 shares issued and outstanding	6,000	6,000
Retained earnings	373,590	389,787
Total stockholders' equity	379,590	395,787
Total liabilities and stockholders' equity	$870,847	$1,218,037

The accompanying notes are an integral part of these financial statements.

ROCKY MOUNTAIN NEONATOLOGY, P.C.

STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31, 1995	THREE MONTHS ENDED MARCH 31, 1996
		(UNAUDITED)
Net patient service revenue	$3,105,845	$ 954,900
Operating expenses:		
Stockholders' compensation and benefits	1,973,395	671,640
Salaries and benefits	344,494	111,193
Supplies and other operating expenses	428,779	106,175
Insurance expense	70,411	18,641
Hospital salary reimbursement	83,329	25,000
Depreciation	1,236	212
Total operating expenses	2,901,644	932,861
Income from operations	204,201	22,039
Other income	7,721	4,086
Income before income taxes	211,922	26,125
Income tax provision	80,530	9,928
Net income	$ 131,392	$ 16,197

The accompanying notes are an integral part of these financial statements.

ROCKY MOUNTAIN NEONATOLOGY, P.C.

STATEMENTS OF STOCKHOLDERS' EQUITY

	COMMON STOCK			
	NUMBER OF SHARES	AMOUNT	RETAINED EARNINGS	TOTAL
Balance, December 31, 1994	6,000	$6,000	$242,198	$248,198
Net income	--	--	131,392	131,392
Balance, December 31, 1995	6,000	6,000	373,590	379,590
Net income (unaudited)	--	--	16,197	16,197
Balance, March 31, 1996 (unaudited)	6,000	$6,000	$389,787	$395,787

The accompanying notes are an integral part of these financial statements.

ROCKY MOUNTAIN NEONATOLOGY, P.C.

STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 1995	THREE MONTHS ENDED MARCH 31, 1996
		(UNAUDITED)
Cash flows from operating activities:		
Net income	$ 131,392	$ 16,197
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:		
Provision for deferred taxes	80,530	9,928
Depreciation	1,236	212
Changes in assets and liabilities:		
Accounts receivable	(102,337)	(41,659)
Prepaid expenses and other assets	(37,463)	15,041
Accounts payable and accrued expenses	1,722	1,509
Salaries payable	--	371,640
Patient overpayments	12,592	6,245
Hospital salary reimbursement payable	68,536	(58,329)
Net cash provided by operating activities	156,208	320,784
Net increase in cash and cash equivalents	156,208	320,784
Cash and cash equivalents, beginning of year/period	887	157,095
Cash and cash equivalents, end of year/period	$ 157,095	$477,879

The accompanying notes are an integral part of these financial statements.

ROCKY MOUNTAIN NEONATOLOGY, P.C.

NOTES TO FINANCIAL STATEMENTS

1. GENERAL:

The principal business activity of Rocky Mountain Neonatology, P.C. (the "Company") is to provide physician services to hospital-based neonatal and pediatric intensive care units to two hospitals in the Denver, Colorado area. Contractual arrangements with hospitals are: (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 professional component of the charges for medical services rendered by the Company's healthcare professionals; and (b) administrative fees for providing medical director services for neonatal and/or pediatric departments in the hospitals where the Company provides physician services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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. Actual results could differ from those estimates.

Accounts Receivable and Revenues:

Accounts receivable are primarily amounts due under discounted fee-for-service contracts with medical groups and third-party payors, such as insurance companies, self-insured employers, patients and government-sponsored health care programs in the State of Colorado. These receivables are presented net of contractual adjustments and an estimated allowance for uncollectibles which is charged to operations based on an evaluation of expected collections resulting from an analysis of current and past due accounts, past collection experience in relation to amounts billed and other relevant information. Contractual adjustments result from the difference between the physician rates for services performed, including withholding provisions, and reimbursement by government-sponsored healthcare programs and insurance companies for such services. Bad debts are included in contractual allowances and uncollectibles because they are not considered material.

Concentration of credit risk relating to accounts receivable is limited by the large number of patients and payors that the Company manages. Approximately 29% of the Company's net patient service revenue is derived from Medicaid.

Cash and Cash Equivalents:

Cash and 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 its cash and cash equivalents which consist primarily of demand deposits and amounts on deposit in a money market account with principally one financial institution.

Furniture and Equipment:

Furniture and equipment is recorded at cost. Depreciation of furniture and equipment is computed on the straight line method over the estimated useful lives of five years. Upon sale or retirement of furniture and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is reflected in operations.

Professional Liability Coverage:

The Company maintains professional liability coverage which indemnifies the Company and its stockholders and employee physicians on a claims made basis. The Company records an estimate of its liabilities for claims incurred but not reported. Such liabilities are not discounted.

Income Taxes:

The Company computes its income taxes utilizing Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted rates in effect for the year in which the differences are expected to reverse.

Charity Care:

The Company provides care to patients who meet certain criteria under its charity care policy without charge. Because the Company does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Interim Financial Statements:

The financial statements at March 31, 1996 and for the three months ended March 31, 1996, are unaudited and, in the opinion of management, include all adjustments, consisting of normal recurring adjustments necessary for a fair statement of the results of interim periods. The results of the three months ended March 31, 1996 are not necessarily indicative of the results to be expected for the full year or any other interim period.

3. ACCOUNTS RECEIVABLE AND NET PATIENT SERVICE REVENUE:

Accounts receivable consist of the following:

	DECEMBER 31, 1995
Gross accounts receivable	$ 973,779
Less: allowance for contractual adjustments and uncollectibles	(389,512)
Administrative fees	50,000
	$ 634,267

Net patient service revenue consists of the following:

	DECEMBER 31, 1995
Gross patient service revenue	$ 4,190,338
Less contractual adjustments and uncollectibles	(1,467,160)
Administrative fees	382,667
	$ 3,105,845

Administrative fees are received by the Company for providing medical director services under annual agreements with the hospitals where the Company provides physician services. These agreements are automatically renewable, unless otherwise terminated.

ROCKY MOUNTAIN NEONATOLOGY, P.C.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

4. RETIREMENT PLANS:

The Company has two qualified defined contribution employee benefit plans (the "Plans") as allowed under Section 401 of the Internal Revenue Code, which include a 401(k)/profit sharing plan ("401(k) Plan") and a money purchase plan ("Money Purchase Plan") which covers substantially all employees. Employees who have completed 24 months of service and are at least 21 years old are eligible to participate and will become participants in the Plans following eligibility effective on certain dates which are based on each of the Plan's years.

The 401(k) Plan permits participant contributions and a discretionary amount determined by the Company which are fully vested upon contribution. In addition, the Company may elect to contribute from the profits of the Company a percentage of annual compensation expense, as defined, which is allocated to each participant based on a relationship of his/her compensation to total compensation, with immediate vesting upon contribution.

Under the provisions of the Money Purchase Plan, the Company shall contribute to the Plan on behalf of each eligible participant an amount equal to 5% of the participant's annual compensation, as defined, subject to certain limitations. These amounts are allocated to each participant based on a relationship of his/her compensation to total compensation, with immediate vesting upon contribution.

The Company approved contributions of $180,000 to the Plans which were expensed for the year ended December 31, 1995.

5. INCOME TAXES:

The components of the income tax provision is as follows:

	DECEMBER 31, 1995
Deferred:	
Federal	$ 74,173
State	6,357
	$ 80,530

The provision for income taxes differs from the amount obtained by applying the federal statutory income tax rate to income before provision for income taxes as follows:

	YEAR ENDED DECEMBER 31, 1995
Federal statutory rate	35.0%
State income tax, net of federal benefit	3.0
Effective rate	38.0%

ROCKY MOUNTAIN NEONATOLOGY, P.C.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The significant components of the deferred income tax assets and liabilities at December 31, 1995 are as follows:

Accounts receivable	$(241,022)
Prepaid expenses	(29,491)
Patient overpayments	31,644
Hospital salary reimbursement payable	31,665
Professional claims liability	27,680
Accrual to cash adjustments	(59,418)
Other	5,811
Net current deferred tax liability	$(233,131)

6. COMMITMENTS:

The Company has an employment agreement with an employee physician that expires on June 30, 1997. As of December 31, 1995, the terms of the agreement commit the Company to pay approximately $293,000 to the employee physician in compensation for the remainder of the agreement's term.

The Company is a lessee of office space under an operating lease that expires on April 24, 1997. Future minimum payments under the lease are $29,550 and $10,047 for fiscal years 1996 and 1997, respectively. Total rent expense under this lease was $30,230 for the year ended December 31, 1995.

7. SUBSEQUENT EVENT:

Effective May 1, 1996, the capital stock of the Company was acquired by Pediatrix Acquisition Corp., a separate legal entity which contracts with Pediatrix Medical Group, Inc., in exchange for an aggregate cash purchase price of $7.2 million.

INDEPENDENT AUDITORS' REPORT

The Partners
West Texas Neonatal Associates

We have audited the accompanying balance sheet of West Texas Neonatal Associates (a Partnership) as of December 31, 1995 and the related statements of income and partners' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 financial statements referred to above present fairly, in all material respects, the financial position of West Texas Neonatal Associates as of December 31, 1995 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

LINDA G. MEDLOCK P.C.

June 10, 1996
El Paso, Texas

WEST TEXAS NEONATAL ASSOCIATES

BALANCE SHEETS

	DECEMBER 31, 1995	MARCH 31, 1996 (UNAUDITED)
ASSETS		
Current assets:		
Checking -- Texas commerce	$ --	$ 156,596
Accounts receivable -- trade	558,343	496,604
Accounts receivable -- Internal Revenue Service	2,200	--
Total current assets	560,543	653,200
Property and equipment:		
Furniture and fixtures	3,550	3,550
Less: accumulated depreciation	(3,550)	(3,550)
Net property and equipment	--	--
Total assets	$560,543	$ 653,200
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Bank overdraft	$ 24,541	$ --
Accounts payable -- CMBS	13,757	22,110
Payroll taxes payable	374	357
Accounts payable -- Jose Arellano, M.D. P.A.	--	6,339
Total current liabilities	38,672	28,806
Partners' equity:		
Capital -- Ayo	255,286	305,179
Capital -- Caviglia	266,585	319,215
Total partners' equity	521,871	624,394
Total liabilities and partners' equity	$560,543	$ 653,200

Notes to financial statements are an integral part of these financial statements.

WEST TEXAS NEONATAL ASSOCIATES

STATEMENTS OF INCOME AND PARTNERS' EQUITY

	YEAR ENDED DECEMBER 31, 1995	THREE MONTHS ENDED MARCH 31, 1996 (UNAUDITED)
Medical fee income	$ 2,269,543	$ 561,088
Operating expenses:		
Billing service	160,519	46,878
Patient refunds	4,924	354
Business promotion	--	236
Contract labor	5,050	825
Insurance -- malpractice	21,549	--
Insurance -- employee health	17,955	5,032
Insurance -- general	--	1,326
Legal and accounting	2,600	1,100
Medical books	--	700
Miscellaneous	2,505	--
Office supplies	188	--
Office maintenance	2,566	--
Penalties	4	--
Professional fees -- other	99,349	57,258
Salaries and wages	306,761	94,250
Seminars	450	--
Taxes -- payroll	21,433	7,567
Telephone	1,316	320
Travel	529	--
Total operating expenses	647,698	215,846
Operating income	1,621,845	345,242
Other income (expense):		
Interest income	7	18
Net income	1,621,852	345,260
Partners' equity at beginning of year/period	419,787	521,871
Partners draw	(1,519,768)	(242,737)
Partners' equity at end of year/period	$ 521,871	$ 624,394

Notes to financial statements are an integral part of these statements.

WEST TEXAS NEONATAL ASSOCIATES

STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 1995	THREE MONTHS ENDED MARCH 31, 1996
		(UNAUDITED)
Cash flows from operating activities:		
Cash received from patients	$2,155,044	$ 622,828
Cash collected from other sources	7	18
Cash paid to billing service, patients and employees	(467,129)	(133,129)
Cash paid for general and administrative expenses	(176,075)	(65,843)
Net cash provided by operating activities	1,511,847	423,874
Cash flows from financing activities:		
Cash paid to partner -- Ayo	(764,769)	(122,737)
Cash paid to partner -- Caviglia	(755,000)	(120,000)
Net cash used by financing activities	(1,519,769)	(242,737)
Net (decrease) increase in cash and cash equivalents	(7,922)	181,137
Cash and cash equivalents at beginning of year/period	(16,619)	(24,541)
Cash and cash equivalents at end of year/period	$ (24,541)	$ 156,596
Reconciliation of net income to net cash provided by operating activities:		
Net income	$1,621,852	$ 345,260
Adjustments to reconcile net income to net cash provided by operating activities:		
(Increase) decrease in accounts receivable -- trade	(114,499)	61,740
(Increase) decrease accounts receivable -- IRS	(1,508)	--
(Increase) decrease accounts payable	6,002	16,874
Total adjustments	(110,005)	78,614
Net cash provided by operating activities	$1,511,847	$ 423,874

Notes to financial statements are an integral part of these financial statements.

WEST TEXAS NEONATAL ASSOCIATES

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES:

The Company's accounting policies conform to generally accepted accounting principles based on the accrual method of accounting.

Nature of Operations

The Company, a partnership, is engaged in the business of providing medical services at its location in El Paso, Texas.

Property and Equipment

Property and equipment are carried at cost. Management has elected to calculate depreciation using the accelerated cost recovery system (ACRS) and the modified accelerated cost recovery system (MACRS). These are not acceptable methods for financial statements under generally accepted accounting principles. Generally accepted accounting principles require depreciating cost over an asset's estimated useful life using an acceptable method. The effect of this departure from generally accepted accounting principles on financial position, results of operations, and cash flows has not been determined.

Bad Debts

Bad debts are accounted for using the direct write-off method. Expense is recognized only when a specific account is determined to be uncollectible. The effects of using this method approximate those of the allowance method.

2. INCOME TAXES:

The Partnership is not a taxpaying entity for federal or state income tax purposes, and thus no income tax expense has been recorded in the statements. Income from the Partnership is taxed to the partners in their individual returns.

3. ECONOMIC DEPENDENCY:

The Company operates in El Paso, Texas, and has contracts with Sierra Medical Center and Providence Hospital (which are owned by the Tenet Corporation). All services are provided through these two hospitals.

4. CONCENTRATION OF CREDIT RISK:

The Company grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The major source of income consists of fees from medicaid and private insurance.

5. SUBSEQUENT EVENT:

The Company has signed a contract to sell its assets to Pediatrix Medical Group of Texas, P.A. effective May 30, 1996. The two partners will remain as employees and continue to provide neonatal services.

INFANT CARE SPECIALISTS
MEDICAL GROUP, INC. & SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Infant Care Specialists Medical Group, Inc. & Subsidiary:

We have audited the accompanying consolidated balance sheet of Infant Care Specialists Medical Group, Inc. (a California corporation) and Subsidiary as of December 31, 1995, and the related consolidated statements of operations and retained earnings and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of Infant Care Specialists Medical Group, Inc. and Subsidiary as of December 31, 1994 were audited by other auditors, whose report dated September 20, 1995 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 financial position of Infant Care Specialists Medical Group, Inc. and Subsidiary as of December 31, 1995, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The general and administrative expense detail for the year ended December 31, 1995 presented in Exhibit I is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The general and administrative expense detail for the year ended December 31, 1994 presented in Exhibit I was subjected to the auditing procedures applied in the December 31, 1994 audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the December 31, 1994 basic financial statements taken as a whole.

HARLAN & BOETTGER

San Diego, California
May 7, 1996

INFANT CARE SPECIALISTS MEDICAL GROUP, INC. & SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	AS OF DECEMBER 31,		MARCH 31,
	1994	1995	1996
			(UNAUDITED)
ASSETS			
Current Assets			
Cash	$ 364,121	$ 128,085	$ 114,164
Accounts receivable, net of allowance for mandatory adjustments of $5,247,098, $3,358,706 and $4,765,882 for 1994, 1995 and March 31, 1996 (Note A)	5,150,777	3,542,341	3,496,407
Prepaid expenses and other current assets	106,790	15,239	--
Total current assets	5,621,688	3,685,665	3,610,571
Property and equipment, net (Note B)	338,695	305,867	282,845
Investment in partnership (Note C)	302,570	327,804	327,804
Deferred income tax assets	70,050	73,655	37,979
Deposits	8,584	8,583	8,583
	$6,341,587	$4,401,574	$4,267,782
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Line of credit -- current (Note H)	$ 9,350	$ 10,200	$ 10,200
Capital lease obligations -- current portion	11,268	12,960	12,964
Accounts payable and accrued expenses	174,244	190,982	158,259
Accrued pension contribution payable (Note D)	748,653	370,186	370,186
Note payable -- other (Note G)	433,185	377,846	200,656
Note payable -- affiliate (Note E)	267,050	245,000	245,000
Income taxes payable	11,265	109,823	41,423
Deferred income taxes (Notes A and F)	2,027,875	1,371,169	1,424,809
Total Current Liabilities	3,682,890	2,688,166	2,463,497
Commitments (Note I)			
Line of credit, less current portion (Note H)	41,650	31,450	28,900
Capital lease obligations, less current portion	55,051	42,340	39,252
Minority interest in subsidiary	8,785	(7,211)	(532)
Total Liabilities	3,788,376	2,754,745	2,531,117
Stockholders' Equity			
Common stock, $1 par value; 200,000 shares authorized; 900 shares issued and outstanding	900	900	900
Preferred stock, $1 par value; 200,000 shares authorized; 1,300, 1,800 and 1,900 shares issued and outstanding, respectively	1,300	1,800	1,900
Additional paid-in-capital	1,310	1,310	1,310
Retained earnings	2,549,701	1,642,819	1,732,555
Total Stockholders' Equity	2,553,211	1,646,829	1,736,665
	$6,341,587	$4,401,574	$4,267,782

The accompanying notes are an integral part of these financial statements.

INFANT CARE SPECIALISTS MEDICAL GROUP, INC. & SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

	YEARS ENDED DECEMBER 31,		THREE MONTHS ENDED MARCH 31,
	1994	1995	1996
			(UNAUDITED)
Income			
Professional fees	$ 9,933,406	$10,363,733	$ 2,939,229
Management fees	692,216	--	238,231
Interest income (expense)	15,560	50,699	(2,957)
Other income (expense)	8,128	(3,181)	--
Minority interest in net income of subsidiary	(7,021)	15,996	(6,679)
Total income	10,642,289	10,427,247	3,167,824
Operating expenses			
Payroll and payroll taxes	4,977,124	7,373,320	2,115,199
Liability insurance	260,552	353,074	137,533
Disability insurance	256,411	165,827	68,450
General and administrative	1,221,433	1,203,395	302,826
Management fees	--	194,056	--
Billing service fee	460,684	124,482	7,222
Depreciation and amortization	45,423	93,116	23,022
Profit sharing plan contributions (Note D)	748,653	483,411	94,407
Physician moonlighting	427,257	417,922	54,599
Independent contracting	88,746	33,070	18,275
Transcription fees	133,808	134,962	51,829
University expenses	3,163,062	1,303,005	113,810
Total operating expenses	11,783,153	11,879,640	2,987,172
(Loss) income before income taxes	(1,140,864)	(1,452,393)	180,652
(Benefit) provision for income taxes (Notes A and F)	(384,055)	(545,511)	90,916
Net (loss) income	(756,809)	(906,882)	89,736
Retained earnings, beginning of year	3,306,510	2,549,701	1,642,819
Retained earnings, end of year	$ 2,549,701	$ 1,642,819	$ 1,732,555

The accompanying notes are an integral part of these financial statements.

INFANT CARE SPECIALISTS MEDICAL GROUP, INC. & SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMER - 31,		THREE MONTHS ENDED MARCH 31,
	1994	1995	1996
			(UNAUDITED)
Cash flows from operating activities:			
Net (loss) income	$ (756,809)	$ (906,882)	$ 89,736
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Depreciation and amortization	45,423	93,113	23,022
Expenses accrued under notes payable	491,859	--	--
Loss (gain) on investment in partnership	1,230	(25,234)	--
Minority interest in net income of subsidiary	7,021	(15,994)	6,679
Change in assets and liabilities:			
Accounts receivable	122,671	1,608,436	45,934
Employee receivable	(300)	2,064	--
Management fees receivable	489,166	--	--
Prepaid expenses	102,235	81,987	15,239
Deposits	(8,584)	--	--
Income taxes receivable	(2,500)	7,500	--
Tax benefit	--	(3,605)	35,676
Accounts payable and accrued expenses	99,331	16,737	(32,721)
Accrued pension plans	123,516	(378,467)	--
Income taxes payable	11,265	98,558	(68,400)
Note payable, other	--	--	(177,192)
Deferred income taxes	(396,920)	(656,706)	53,640
Net cash provided by (used in) operating activities	328,604	(78,493)	(8,387)
Cash flows from investing activities:			
Purchases of fixed assets	(197,295)	(60,285)	--
Payments on related party debt	--	(22,050)	--
Net cash used in investing activities	(197,295)	(82,335)	--
Cash flows from financing activities:			
Proceeds (payments) on line of credit	51,000	(9,350)	(2,550)
Principal payments on capital leases	(4,855)	(11,019)	(3,084)
Decrease in notes payable	--	(55,339)	--
Principal payments in notes payable -- other	(36,625)	--	--
Proceeds from issuance of preferred stock	200	500	100
Net cash provided by (used in) financing activities	9,720	(75,208)	(5,534)
Net increase (decrease) in cash	141,029	(236,036)	(13,921)
Cash, beginning of year	223,092	364,121	128,085
Cash, end of year	$ 364,121	$ 128,085	$ 114,164

The accompanying notes are an integral part of these financial statements.

INFANT CARE SPECIALISTS MEDICAL GROUP, INC. & SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

Infant Care Specialists Medical Group, Inc. (the Company) was incorporated under the laws of the State of California on November 15, 1988. The Company provides neonatal medical services through its affiliation agreements with the UC Irvine Medical Center, Division of Neonatal Medicine and with fourteen other Southern California hospitals.

Basis of Accounting

The Company's policy is to prepare its financial statements on an accrual basis of accounting. Accordingly, the accompanying financial statements are intended to present the financial position, results of operations and cash flows in conformity with generally accepted accounting principles.

These financial statements include the accounts of the Company and its 82.36% owned subsidiary, Infant Care Management Services, Inc. (ICMS), a company established to provide management and administrative services to medical practice groups in Southern California.

All significant intercompany accounts and transactions have been eliminated in consolidation.

University Affiliation

All of the physician shareholders and employees of the Company were also employees of the Division of Neonatal/Perinatal Medicine in the Department of Pediatrics of the University of California, Irvine. It has been the practice of the Company to fund the salaries and benefits of the physicians and staff who have paid positions with the University as well as research and teaching expenses. In order to cover these expenses, the Company deposits professional fees with the Regents of the University of California. These funds are used only to support physician salaries, administration salaries, research salaries and miscellaneous research supplies.

Cash

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less and money market funds to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at net realizable value. An allowance for mandatory adjustments has been reflected in the financial statements to reduce accounts receivable for managed care contracts and Medical charges which the Company has agreed to accept at a discounted fee. The total mandatory adjustments at 1995 and 1994 are $3,358,706 and $5,247,098, respectively.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided by the straight-line method over their estimated useful lives as follows:

Leasehold improvements.....	5 years (term of lease)
Furniture and fixtures.....	7 years
Equipment.....	5 - 7 years
Software.....	3 years

Upon retirement or disposal of depreciated assets, the cost and related depreciation are removed and the resulting gain or loss is reflected in income. Major renewals and betterments are capitalized while maintenance costs and repairs are expensed in the year incurred.

Income Taxes

Deferred tax liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be settled. The effect on deferred tax liabilities of a change in tax rates is recognized in income in the period in which the change is enacted. Temporary differences related principally to differences between the accrual method of accounting used for financial statement purposes and the cash method of accounting used for tax purposes.

Management Fees

The Company maintains a management agreement with Infant Care Management Services, Inc. (ICMS). ICMS manages the operations of the Company and receives its net income from the Company in the form of a management fee.

Concentration of Credit Risk

Substantially all of the Company's accounts receivables are concentrated within the medical industry, primarily health insurance companies and government insurance providers.

Reclassifications

Certain amounts included in the financial statements for 1994 have been reclassified to conform to the current year presentation.

B. PROPERTY AND EQUIPMENT:

Property and equipment as of December 31, 1994 and 1995 are summarized as follows:

	1994	1995
Furniture and fixtures	$ 76,250	$ 83,274
Equipment	281,433	319,782
Software	39,738	53,211
Leasehold improvements	44,860	46,298
	422,281	502,565
Less: accumulated depreciation	(103,586)	(196,698)
	$ 338,695	$ 305,867

C. INVESTMENT IN PARTNERSHIP:

During 1993, the Company acquired a 98% interest in LBW Medical Group, Limited Partnership ("LBW") in exchange for cash of $58,800 and a note payable of $245,000. The Partnership, together with other joint venture partners, plans to invest in and assist in the development and operation of transitional care facilities for infants who are presently being treated in hospital neonatal intensive care units. The Partnership is currently in the development stage of operations and did not generate any revenues during 1995 or 1994

related to operations. However, the investment earned interest income in 1995 in the amount of $29,392 and incurred expenses of $4,158 (see Note E).

D. ACCRUED PENSION AND PROFIT SHARING EXPENSE:

The Company maintains both a defined contribution profit sharing plan and a money purchase pension plan covering substantially all employees subject to minimum age and service requirements. Contributions to the profit sharing plan are at the discretion of the Board of Directors. Contributions to the money purchase plan are based upon 5% of eligible compensation. Total pension and profit sharing expense was $483,411 and $748,653 for the years ended December 31, 1995 and 1994, respectively.

It is the policy of the Company to fund accrued pension and profit sharing contributions prior to the filing of the corporate income tax returns.

E. NOTE PAYABLE TO AFFILIATE:

The Company has a note payable of $245,000 to LBW, in which the Company has a 98% interest. The note bears interest at 6% per annum and is due on demand.

F. INCOME TAXES:

As discussed in Note A, the Company adopted SFAS 109, "Accounting for Income Taxes" in 1993 and applied the provisions of this statement retroactively to January 1, 1992. SFAS 109 requires the use of the balance sheet method of accounting for income taxes. Under this method, a deferred tax asset or liability represents the tax effect of temporary differences between financial statement and tax bases of assets and liabilities and is measured using the latest enacted tax rates.

The provision for income taxes (benefit) for the years ended December 31, 1994 and 1995 are as follows:

	1994	1995
Current provision	$ 12,865	$ 114,800
Deferred benefit	(396,920)	(660,311)
Net benefit	$(384,055)	$(545,511)

G. NOTES PAYABLE:

Notes payable at December 31, 1994 and 1995 is comprised of the following:

Non-interest bearing note due to the University of California, Irvine as reimbursement for expenses of Division of Neonatal Medicine paid by the University (see Note A)	$ 433,185	$ 377,847

H. LINE OF CREDIT:

The Company maintains a line of credit facility with City National Bank (the "Bank") which is secured by various fixed assets, with interest at the "prime rate" as announced by the Bank plus 1.25% (8.75% at December 31, 1995). Principal is currently payable at $850 per month plus interest through December 1, 2000.

The following is a schedule of future maturities of the line of credit as of December 31, 1995:

YEAR ENDING DECEMBER 31,	
1996	$ 10,200
1997	10,200
1998	10,200
1999	10,200
2000	850
	41,650
Less: current portion	(10,200)
	$ 31,450

I. COMMITMENTS:

On July 15, 1994, the Company entered into a noncancelable building lease for its operating facility which runs through July 30, 1999. The agreement calls for an annual base rent of $88,402 with an increase of 6% in the fourth and fifth year.

Net future minimum rental payments required under this lease as of December 31, 1995 are as follows:

YEARS ENDED DECEMBER 31,	
1996	$ 88,402
1997	88,402
1998	93,707
1999	99,329
	$369,840

Total rent expense charged to operations for the year ended December 31, 1995 and 1994 was $73,669 and $50,183, respectively.

J. SUBSEQUENT EVENT:

In June of 1996, Pediatrix Medical Group of California, P.C., which is a separate legal entity that contracts with Pediatrix Medical Group, Inc., acquired the operating assets of the Company including its existing contracts with various hospitals and tendered employment contracts to most of its employees. With the funds received, the Company has paid severance fees to all of its employees based upon a formula established by its Board of Directors for years of service with the Company. The Company's future operations include the collection of its remaining accounts receivables, paying its outstanding expenses and liquidation.

EXHIBIT I

INFANT CARE SPECIALISTS MEDICAL GROUP, INC. & SUBSIDIARY

DETAIL OF GENERAL AND ADMINISTRATIVE EXPENSES

	YEARS ENDED DECEMBER 31,		MARCH 31,
	1994	1995	1996
			(UNAUDITED)
General and Administrative Expenses			
Auto expense	$ 87,086	$ 76,708	$ 10,822
Practice development	135,972	9,997	964
Dues and subscriptions	98,074	87,520	23,401
Outside services	33,382	72,918	25,774
Legal and accounting	174,152	174,052	96,336
Education and conferences	156,956	84,701	15,293
Computer maintenance	24,855	22,921	3,764
Telephone	59,521	86,571	25,970
Housing and relocation	15,111	11,787	--
Supplies	54,567	91,355	9,200
Miscellaneous	2,453	20,114	6,888
Drugs	35,458	27,578	9,260
Printing	12,100	60,438	--
Meals and entertainment	37,007	43,913	15,333
Postage	14,672	70,622	6,063
Interest	28,004	19,642	--
Other insurance	113,110	50,834	17,624
Repairs and maintenance	837	1,294	--
Recruiting	6,325	10,162	--
Pension administration	10,650	4,878	--
Gifts	6,875	5,849	--
Rent -- building	50,183	73,669	34,184
Rent -- equipment	--	65,987	--
Licenses and fees	2,745	9,572	932
Managed care fees	47,535	--	--
Bank service charges	14,163	20,313	1,018
Total General and Administrative Expenses	$1,221,433	$1,203,395	$302,826

[Pediatrix Logo]

5,000,000 SHARES
COMMON STOCK

PROSPECTUS

DEAN WITTER REYNOLDS INC.

ALEX. BROWN & SONS
INCORPORATED

DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION

HAMBRECHT & QUIST

SMITH BARNEY INC.

, 1996

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The Company estimates that expenses payable by it in connection with the offering described in this registration statement (other than underwriting discounts and commissions) will be as follows:

Securities and Exchange Commission registration fee	$ 96,163
NASD filing fee	29,100
Nasdaq National Market listing fee	17,500
Printing expenses	50,000
Accounting fees and expenses	100,000
Legal fees and expenses	200,000
Fees and expenses (including legal fees) for qualifications under state securities laws	25,000
Registrar and Transfer Agent's fees and expenses	7,000
Miscellaneous	75,237
Total	$600,000

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* To be provided by amendment.

All amounts except the Securities and Exchange Commission registration fee, the NASD filing fee and the Nasdaq National Market listing fee are estimated. The Company intends to pay all expenses of registration with respect to shares being sold by the Selling Shareholders hereunder, with the exception of underwriting discounts and commissions.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Company has authority under Florida law to indemnify its directors and officers to the extent provided in such statute. The Articles provide that the Company shall indemnify its directors to the fullest extent permitted by law either now or hereafter. The Company has also entered into an agreement with each of its directors and certain of its officers wherein it has agreed to indemnify each of them to the fullest extent permitted by law.

At present, there is no pending litigation or proceeding involving a director or officer of the Company as to which indemnification is being sought, nor is the Company aware of any threatened litigation that may result in claims for indemnification by any officer or director.

Pursuant to the Underwriting Agreement filed as Exhibit 1.1 to this Registration Statement, the Underwriters have agreed to indemnify the directors, officers and controlling persons of the Company against certain civil liabilities that may be incurred in connection with this offering, including certain liabilities under the Securities Act.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

In December 1992, the Company issued 200,000 shares of Common Stock for $2.84 per share, pursuant to the Company's 1992 Employee Stock Purchase Plan. Such shares were issued pursuant to the exemption set forth in Section 4(2) of the Securities Act.

In January 1994, the Company issued 200,000 shares of Common Stock for $5.00 per share, pursuant to the Company's 1994 Employee Stock Purchase Plan. Such shares were issued pursuant to the exemption set forth in Section 4(2) of the Securities Act.

In September 1995, immediately prior to the consummation of the Company's initial public offering, the Company issued an aggregate of 4,571,063 shares of Common Stock upon conversion of 4,571,063 shares of Series A Convertible Preferred Stock (the "Convertible Preferred Stock"). The Convertible Preferred Stock

had originally been issued pursuant to the terms of a Series A Preferred Stock Purchase Agreement, dated October 26, 1992 (the "Purchase Agreement") for an aggregate purchase price of $13 million. Pursuant to the Purchase Agreement, unpaid dividends of approximately $3.7 million were forgiven upon such conversion. The shares of Common Stock were issued pursuant to the exemption set forth in Section 3(a)(9) of the Securities Act.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits:

EXHIBITS		DESCRIPTION
1.1	--	Proposed form of Underwriting Agreement(6)
3.1	--	PMG's Amended and Restated Articles of Incorporation(3.1)(1)
3.2	--	PMG's Amended and Restated Bylaws(3.2)(1)
4.1	--	Registration Rights Agreement, dated as of September 13, 1995 between PMG and certain shareholders(4.1)(1)
5.1	--	Opinion of Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, P.A. as to the validity of the Common Stock being registered(6)
10.1	--	PMG's Amended and Restated Stock Option Plan(5)
10.2	--	Form of Indemnification Agreement between PMG and each of its directors and certain executive officers(10.2)(1)
10.3	--	Employment Agreement, dated as of January 1, 1995, as amended, between PMG and Roger J. Medel, M.D.(10.3)(1)
10.4	--	Employment Agreement, dated as of February 1, 1995, as amended, between PMG and Richard J. Stull, II(10.4)(1)
10.5	--	Employment Agreement, dated as of May 1, 1995, as amended, between PMG and Larry M. Mullen(10.5)(1)
10.6	--	Employment Agreement, dated as of February 1, 1995, as amended, between PMG and Cathy J. Lerman, as amended(10.6)(1)
10.7	--	Employment Agreement, dated as of February 1, 1995, as amended, between PMG and Brian D. Udell, M.D., as amended(10.7)(1)
10.8	--	Employment Agreement, dated as of July 27, 1993, between PMG and Frederick V. Miller, M.D.(10.8)(1)
10.9	--	Employment Agreement, dated as of November 6, 1995, between Kristen Bratberg and Pediatrix(4)
10.10	--	Mortgage, Security Agreement and Assignment of Leases and Rents, dated as of September 30, 1993, made by PMG in favor of The First National Bank of Boston(10.22)(1)
10.11	--	The Company's Profit Sharing Plan(10.23)(1)
10.12	--	Form of Non-Competition and Nondisclosure Agreement(10.24)(1)
10.13	--	Form of Exclusive Management and Administrative Services Agreement between PMG and each of the PA Contractors(10.25)(1)
10.14	--	Agreement for Purchase and Sale of Stock, dated July 27, 1995, between Pediatrix Medical Group of California and Neonatal and Pediatric Intensive Care Medical Group, Inc. and the individual physicians set forth in Exhibit A therein(10.26)(1)
10.15	--	NICU Medical Director Appointment, dated as of July 27, 1993, between PMG and Frederick V. Miller, M.D.(10.28)(1)
10.16	--	Stock Purchase Agreement, effective January 16, 1996, between Jack C. Christensen, M.D., Cristina Carballo-Perelman, M.D., Michael C. McQueen, M.D., Neonatal Specialists, Ltd. and Brian Udell, M.D.(2.1)(2)
10.17	--	Asset Purchase Agreement, effective January 16, 1996, between Med-Support, L.P. and Neonatal Specialists, Ltd.(2.2)(2)
10.18	--	Asset Purchase Agreement, effective January 16, 1996, between CMJ Leasing, L.P. and Neonatal Specialists, Ltd.(2.3)(2)

EXHIBITS		DESCRIPTION
10.19	--	Asset Purchase Agreement, dated January 29, 1996, among Pediatrix Medical Group of Colorado, P.C., Pediatric and Newborn Consultants, P.C., and the shareholders of PNC(2.1)(3)
10.20	--	Agreement and Plan of Merger, dated January 29, 1996, among Pediatrix Medical Group of Colorado, P.C., Colorado Neonatal Associates, P.C. and the shareholders of CNA(2.1)(3)
10.21	--	Employment Agreement, dated June 1, 1996, between PMG and M. Douglas Cunningham, M.D.(7)
10.22	--	Airplane Purchase Agreement, dated March 22, 1996, between PMG and Learjet Inc.(7)
10.23	--	PMG's 1996 Qualified Employee Stock Purchase Plan (10.25)(5)
10.24	--	PMG's 1996 Non-Qualified Employee Stock Purchase Plan (10.26)(5)
10.25	--	First Amended and Restated Credit Agreement, dated as of June 27, 1996, between PMG, certain PA Contractors, The First National Bank of Boston and SunTrust Bank(6)
10.26	--	Modification of Mortgage, dated as of June 27, 1996, between PMG and The First National Bank of Boston(6)
11.1	--	Statement re computation of per share earnings(7)
21.1	--	Subsidiaries of Pediatrix(21.1)(1)
23.1	--	Consent of Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, P.A. (to be included in its opinion to be filed as Exhibit 5.1)(6)
23.2	--	Consent of Coopers & Lybrand L.L.P.(6)
23.3	--	Consent of Johnson & Moser, Ltd.(6)
23.4	--	Consent of Deon E. Fitch, CPA(6)
23.5	--	Consent of Linda G. Medlock P.C.(6)
23.6	--	Consent of Harlan & Boettger(6)
24.1	--	Reference is made to the Signatures section of this Registration Statement for the Power of Attorney contained therein(7)
24.2	--	Secretary's Certificate of resolution of Board of Directors(6)

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(1) Incorporated by reference to the exhibit shown in parentheses and filed with the Pediatrix Form S-1 (File No. 33-95086).
(2) Incorporated by reference to the exhibit shown in parenthesis and filed with the Pediatrix Form 8-K, dated January 31, 1996.
(3) Incorporated by reference to the exhibit shown in parenthesis and filed with the Pediatrix Form 8-K, dated February 8, 1996.
(4) Incorporated by reference to the exhibit shown in parenthesis and filed with the Pediatrix Form 10-K, dated March 26, 1996.
(5) Incorporated by reference to the exhibit shown in parenthesis and filed with the Pediatrix Form 10-Q, dated May 10, 1996.
(6) Filed herewith.

(7) Previously filed.

(b) Financial Statement Schedules:

The following supplemental schedules can be found on the indicated pages of this Registration Statement.

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

ITEM 17. UNDERTAKINGS

(a) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of a registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of the registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Fort Lauderdale, State of Florida, on July 22, 1996.

PEDIATRIX MEDICAL GROUP, INC.

By: /s/ ROGER J. MEDEL, M.D.*
Roger J. Medel, M.D.
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the date indicated.

SIGNATURE	TITLE	DATE
/s/ ROGER J. MEDEL, M.D.* Roger J. Medel, M.D.	President, Chief Executive Officer and Director (principal executive officer)	July 22, 1996
/s/ RICHARD J. STULL, II* Richard J. Stull, II	Executive Vice President, Chief Operating Officer and Director	July 22, 1996
/s/ LAWRENCE M. MULLEN* Lawrence M. Mullen	Vice President and Chief Financial Officer (principal financial officer and principal accounting officer)	July 22, 1996
/s/ E. ROE STAMPS, IV* E. Roe Stamps, IV	Director	July 22, 1996
/s/ BRUCE R. EVANS* Bruce R. Evans	Director	July 22, 1996
/s/ FREDERICK V. MILLER, M.D.* Frederick V. Miller, M.D.	Director	July 22, 1996
/s/ MICHAEL FERNANDEZ* Michael Fernandez	Director	July 22, 1996
/s/ ALBERT H. NAHMAD* Albert H. Nahmad	Director	July 22, 1996
*By: /s/ CATHY J. LERMAN Cathy J. Lerman Attorney-in-fact		

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors
Pediatrix Medical Group, Inc.
Fort Lauderdale, Florida

In connection with our audits of the consolidated financial statements of Pediatrix Medical Group, Inc. as of December 31, 1994 and 1995, and for each of the three years in the period ended December 31, 1995, which financial statements are included in this Prospectus, we have also audited the financial statements listed in Item 16 herein.

In our opinion, this financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND L.L.P.

Fort Lauderdale, Florida
January 29, 1996

PEDIATRIX MEDICAL GROUP, INC.

SCHEDULE II: VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1993, DECEMBER 31, 1994, AND DECEMBER 31, 1995
(IN THOUSANDS)

	1993	1994	1995
Allowance for contractual adjustments and uncollectibles:			
Balance at beginning of year	$ 7,188	$ 9,770	$ 13,246
Portion charged against operating revenue	25,475	30,885	40,843
Accounts receivable written-off (net of recoveries)	(22,893)	(27,409)	(41,001)
Balance at end of year	$ 9,770	$ 13,246	$ 13,088

EXHIBIT 1.1

5,000,000 SHARES

PEDIATRIX MEDICAL GROUP, INC.

COMMON STOCK

UNDERWRITING AGREEMENT

July __, 1996

DEAN WITTER REYNOLDS INC.
ALEX. BROWN & SONS INCORPORATED
DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION
HAMBRECHT & QUIST LLC
SMITH BARNEY INC.

As Representatives of the several Underwriters
c/o Dean Witter Reynolds Inc.
2 World Trade Center
65th Floor
New York, New York 10048

Dear Sirs:

1. Introductory. Pediatrix Medical Group, Inc., a Florida corporation (the "Company"), and the selling shareholders named in Schedule B hereto (the "Selling Shareholders") propose to sell, pursuant to the terms of this Agreement, to the several Underwriters named in Schedule A hereto (the "Underwriters"), an aggregate of 5,000,000 shares of common stock, par value $.01 per share (the "Common Stock") of the Company. The aggregate of 5,000,000 shares so to be sold by the Company and the Selling Shareholders is herein called the "Firm Stock". The selling shareholders named in Schedule C hereto (the "Option Selling Shareholders") also propose to sell severally to the Underwriters, on a pro rata basis, at the option of the Underwriters, an aggregate of not more than 750,000 additional shares of Common Stock as provided in Section 3 of this Agreement. The aggregate of 750,000 shares so proposed to be sold is herein called the "Optional Stock". The Firm Stock and the Optional Stock are collectively referred to herein as the "Stock". The Selling Shareholders and the Option Selling Shareholders are sometimes collectively referred to herein as the "Selling Securityholders". Dean Witter Reynolds Inc. and the other Representatives are acting as representatives of the several Underwriters and in such capacity are hereinafter referred to as the "Representatives".

Before the purchase and public offering of the Stock by the several Underwriters, the Company and the Representatives, acting on behalf of the several Underwriters, shall enter into an agreement substantially in the form of Exhibit A hereto (the "Pricing Agreement"). The Pricing Agreement may take the form of an exchange of any standard form of written telecommunication between the Company and the Representatives and shall specify such applicable information as is indicated in Exhibit A hereto. The offering of the Stock will be governed by this

Agreement, as supplemented by the Pricing Agreement. From and after the date of the execution and delivery of the Pricing Agreement,this Agreement shall be deemed to incorporate the Pricing Agreement.

2. (a) Representations and Warranties of the Company. The Company represents and warrants to, and agrees with, the several Underwriters as of the date hereof and as of the date of the Pricing Agreement (such latter date being hereinafter referred to as the "Representation Date"), that:

(i) A registration statement on Form S-1 (File No. 333-____) with respect to the Stock, a copy of which has heretofore been delivered to you, has been carefully prepared by the Company in conformity with the requirements of the Securities Act of 1933, as amended (the "Act"), and the published rules and regulations (the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission") under the Act; and the Company has so prepared and proposes so to file prior to the effective date of such registration statement an amendment to such registration statement including the final form of prospectus (which may omit such information as permitted by Rule 430A of the Rules and Regulations). Such registration statement as amended and the prospectus constituting a part thereof (including in each case the information, if any, deemed to be a part thereof pursuant to Rule 430A(b) or Rule 434 of the Rules and Regulations) are hereinafter referred to as the "Registration Statement" and the "Prospectus", respectively, except that if any revised prospectus shall be provided to the Underwriters by the Company for use in connection with the offering of the Stock which differs from the prospectus on file at the Commission at the time the Registration Statement becomes effective (whether or not such prospectus is required to be filed by the Company pursuant to Rule 424(b) of the Rules and Regulations), the term "Prospectus" shall refer to such revised prospectus from and after the time it is first provided to the Underwriters for such use. If the Company elects to rely on Rule 434 under the Rules and Regulations, all references to the Prospectus shall be deemed to include, without limitation, the form of prospectus and the term sheet, taken together, provided to the Underwriters by the Company in reliance on Rule 434 under Rules and Regulations (the "Rule 434 Prospectus"). If the Company files a registration statement to register a portion of the Securities and relies on Rule 462(b) for such registration statement to become effective upon filing with the Commission (the "Rule 462 Registration Statement"), then any reference to "Registration Statement" herein shall be deemed to be to both the registration statement referred to above (No. 333-____) and the Rule 462 Registration Statement, as each such registration statement may be amended pursuant to the Act.

(ii) When the Registration Statement becomes effective and as of the Representation Date, the Registration Statement and the Prospectus will conform in all material respects to the requirements of the Act and the Rules and Regulations. At the time the Registration Statement becomes effective and at the Representation Date, the Registration Statement will not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading. The Prospectus, at the time the Registration Statement becomes effective and as of the Representation Date (unless the term "Prospectus" refers to a prospectus which has been provided to the Underwriters by the Company for use in connection with the offering of the Stock which differs from the prospectus on file at the Commission at the time the Registration Statement becomes effective, in which case at the time it is first provided to the Underwriters for such use) and at the Closing Date (as hereinafter defined), will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the foregoing representations, warranties and agreements shall not apply to information contained in or omitted from the Registration Statement or Prospectus in reliance upon, and in conformity with, written information furnished to the Company by or on behalf of any

Underwriter, directly or through the Representatives, or by any Selling Securityholder, specifically for use in the preparation thereof.

(iii) Subsequent to the respective dates as of which information is given in the Registration Statement and Prospectus and except as set forth or contemplated in the Prospectus, (A) neither the Company nor any of its subsidiaries or the professional associations and partnerships which are separate legal entities that contract with the Company to provide physician services in certain states and Puerto Rico (the "PA Contractors") has incurred any liabilities or obligations (indirect, direct or contingent) or entered into any oral or written agreements or other transactions not in the ordinary course of business that, singly or in the aggregate, are material to the Company and its subsidiaries and PA Contractors considered as a whole or that result in a material reduction in the earnings of the Company and its subsidiaries and PA Contractors considered as a whole, (B) neither the Company nor any of its subsidiaries or PA Contractors has sustained any loss or interference with its business or properties from strike, fire, flood, windstorm, accident or other calamity (whether or not covered by insurance) that, singly or in the aggregate, is material to the Company and its subsidiaries and PA Contractors considered as a whole, (C) there has been no material change in the indebtedness of the Company, no change in the capital stock of the Company and no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock, and (D) there has not been any material adverse change in the condition (financial or other), business, prospects or results of operations of the Company and its subsidiaries and PA Contractors considered as a whole, whether or not arising in the ordinary course of business.

(iv) The financial statements, together with the related notes and schedules, set forth in the Prospectus and elsewhere in the Registration Statement fairly present, on the basis stated in the Registration Statement, the financial position and the results of operations and changes in financial position of the (i) Company and its consolidated subsidiaries and PA Contractors, (ii) Neonatal and Pediatric Intensive Care Medical Group, Inc., (iii) Neonatal Specialists, Ltd., (iv) Pediatric and Newborn Consultants, PC, (v) Rocky Mountain Neonatology, P.C. and (vi) West Texas Neonatal Associates at the respective dates or for the respective periods therein specified. Such statements and related notes and schedules have been prepared in accordance with generally accepted accounting principles applied on a consistent basis except as may be set forth in the Prospectus except for the omission of certain footnote disclosures from the unaudited financial statements. The selected financial data set forth in the Prospectus under the caption "Selected Consolidated Financial Data" fairly presents, on the basis stated in the Registration Statement, the information set forth therein. The pro forma financial statements of the Company and its consolidated subsidiaries and PA Contractors and the related notes thereto included in the Registration Statement and the Prospectus have been prepared in accordance with the Commission's rules and guidelines with respect to pro forma financial statements and have been properly compiled on the bases described therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein.

(v) Coopers & Lybrand L.L.P., who have expressed their opinions on the audited financial statements and related schedules included in the Registration Statement, are independent public accountants as required by the Act and the Rules and Regulations.

(vi) The Company and each of its subsidiaries and PA Contractors have been duly organized and are validly existing and in good standing as a corporations, partnerships or professional corporations under the laws of their respective jurisdictions of organization, with corporate power and authority to own, lease and operate their properties and to conduct their businesses as described in the Registration Statement and Prospectus; and the Company is and

each of such subsidiaries and PA Contractors are duly qualified to do business and in good standing as a foreign corporations, partnerships or professional corporations in all other jurisdictions where their ownership or leasing of properties or the conduct of their businesses requires such qualification, except where the failure to be so qualified would not singly or in the aggregate have a material adverse effect on the condition (financial or other), business, prospects or results of operations of the Company and its subsidiaries and PA Contractors considered as a whole (a "Material Adverse Effect")

(vii) The Company has authorized, issued and outstanding capital stock as set forth under the "Capitalization" section of the Prospectus; the issued and outstanding shares of Common Stock (including the outstanding shares of the Stock) of the Company conform to the description thereof in the Prospectus and have been duly authorized and validly issued and are fully paid and nonassessable and are listed on the Nasdaq National Market System; the stockholders of the Company have no preemptive rights with respect to any shares of capital stock of the Company and all outstanding shares of capital stock of each corporate subsidiary and PA Contractor have been duly authorized and validly issued, and are fully paid and nonassessable; and the outstanding shares of capital stock of each corporate subsidiary are owned directly by the Company or by another subsidiary of the Company free and clear of any liens, encumbrances, equities or claims.

(viii) The Stock to be issued and sold by the Company to the Underwriters hereunder has been duly and validly authorized and, when issued and delivered against payment therefor as provided herein and in the Pricing Agreement, will be duly and validly issued and fully paid and nonassessable and will conform to the description thereof in the Prospectus.

(ix) Except as disclosed in the Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries or PA Contractors is a party or of which any property of the Company or any subsidiary or PA Contractor is the subject, that are required to be disclosed in the Registration Statement (other than as described therein), or which, if determined adversely to the Company or any subsidiary or PA Contractor, would individually or in the aggregate result in a Material Adverse Effect or which might materially and adversely affect the consummation of this Agreement; and to the best of the Company's knowledge no such proceedings are threatened or contemplated by governmental authorities or threatened by others.

(x) The contractual relationships between (a) the Company and its PA Contractors ("Management Services Contracts") and (b) the Company and certain hospitals and the PA Contractors and certain hospitals (collectively, "Hospital Contracts") do not , to the best of the Company's knowledge, violate any federal or state health care laws and regulations in such jurisdictions in which the Company or the PA Contractors are doing business that are applicable to such relationships, including but not limited to those laws governing the corporate practice of medicine, medical practices, professional corporations, fee splitting, fraud and abuse and self-referral where such violation, singly or in the aggregate would have a Material Adverse Effect.

(xi) Neither the Company nor any of its subsidiaries or PA Contractors is, or with the giving of notice or passage of time or both would be, in breach or violation of any of the terms or provisions of or in default under (A) any statute, rule or regulation applicable to the Company or any of its subsidiaries or PA Contractors, (B) any indenture, lease, mortgage, deed of trust, note or other material contract, agreement or instrument to which the Company or such subsidiary or PA Contractor is a party or by which it may be bound, (C) its certificate of incorporation, by-laws or other organizational documents, and (D) any order, decree or judgment of any court of governmental agency or body having jurisdiction over the Company or any of its

subsidiaries or PA Contractors, in each case (other than clause (C) of this Section 2(a)(xi)), where such breach, violation or default would result in a Material Adverse Effect. The performance of this Agreement and the consummation of the transactions herein contemplated will not, with the giving of notice or passage of time or both, result in a breach or violation of any of the terms or provisions of or constitute a default under (W) any statute, rule or regulation, to the knowledge of the Company, that is applicable to the Company or any of its subsidiaries or PA Contractors, (X) any indenture, mortgage, lease, deed of trust, note or other material contract, agreement or instrument to which the Company or any of its subsidiaries or PA Contractors is a party or by which it is bound, (Y) the Company's or any such subsidiary's or PA Contractor's certificate of incorporation, by-laws or other organizational documents, or (Z) any order, decree judgment of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or PA Contractors or any of their respective properties.

(xii) No labor dispute with the employees of the Company or any of its subsidiaries or PA Contractors exists or, to the Company's knowledge, is imminent.

(xiii) No consent, approval, authorization or order of any court or governmental agency or body is required for the issuance and sale of the Stock by the Company or for the consummation by the Company of the transactions contemplated by this Agreement, including, without limitation, the use of proceeds from the sale of Stock to be sold by the Company in the manner contemplated in the Prospectus under caption "Use of Proceeds," except such as may be required by the National Association of Securities Dealers, Inc. ("NASD") or under the Act or the securities or Blue Sky laws of any jurisdiction in connection with the purchase and distribution of the Stock by the Underwriters.

(xiv) This Agreement and the Pricing Agreement have been duly authorized, executed and delivered by the Company.

(xv) The Company and its subsidiaries and PA Contractors own or have obtained valid licenses for all trademarks, trademark registrations, service marks, service mark registrations, trade names and copyrights described in the Prospectus as being owned, licensed or used by the Company or any of its subsidiaries or PA Contractors or that are necessary for the conduct of their respective business as described in the Prospectus (collectively, "Intellectual Property") and neither the Company nor any of its subsidiaries or PA Contractors is aware of any claim (or of any facts that would form a reasonable basis for any claim) to the contrary or any challenge by any third party to the rights of the Company or any of its subsidiaries or PA Contractors with respect to any such Intellectual Property or to the validity or scope of any such Intellectual Property and neither the Company nor any of its subsidiaries or PA Contractors has any claim against a third party with respect to the infringement by such third party of any such Intellectual Property, which claims or challenges, if adversely determined, would, singly or in the aggregate, have a Material Adverse Effect.

(xvi) The Company and its subsidiaries and PA Contractors have such certificates, permits, licenses, franchises, consents, approvals, authorizations and clearances as are necessary to own, lease or operate their respective properties and to conduct their respective businesses in the manner described in the Prospectus ("Licenses") and all such Licenses are valid and in full force and effect, except where the failure to possess such Licenses would not have a Material Adverse Effect. The Company and each of its subsidiaries and PA Contractors are in compliance in all material respects with their respective obligations under such Licenses and no event has occurred that allows, or after notice or lapse of time or both would allow, revocation, suspension or termination of any such License, except where such revocation, suspension or termination would not have a Material Adverse Effect. No such License contains a burdensome restriction on the Company or any of its subsidiaries or PA Contractors that is not adequately disclosed in the Registration Statement and the Prospectus.

(xvii) The Company is not an "investment company" or an entity "controlled" by an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended.

(xviii) The Company and its subsidiaries and PA Contractors have good and marketable title to all real properties, and good title to all personal property owned by the Company and its subsidiaries and PA Contractors, free and clear of any mortgage, pledge, lien, security interest, claim or encumbrance of any kind, except as disclosed in the Prospectus, that materially interferes with the use of such properties or the conduct of the business of the Company and its subsidiaries or PA Contractors considered as a whole; and all properties held under lease or sublease by the Company or its subsidiaries or PA Contractors are held under valid, subsisting and enforceable leases or subleases, with such exceptions as are not material and do not interfere with the use made or proposed to be made of such properties by the Company or its subsidiaries or PA Contractors.

(xix) The Company and its subsidiaries and PA Contractors maintain accurate books and records reflecting their respective assets and maintain internal accounting controls which provide reasonable assurance that (A) transactions are executed with management's authorization, (B) transactions are recorded as necessary to permit preparation of financial statements and to maintain accountability for assets, (C) access to assets is permitted only in accordance with management's authorization and (D) the reported accountability of assets is compared with existing assets at reasonable intervals.

(xx) The Company has complied, and will continue to comply, in all material respects, with all provisions of Section 517.075 of the Florida Statutes (Chapter 92-198, Laws of Florida) and the rules thereunder.

(b) Any certificate signed by an officer of the Company and delivered to the Representatives or counsel for the Underwriters pursuant to this Agreement shall be deemed a representation and warranty of the Company to each Underwriter as to the matters covered thereby.

(c) Representations, Warranties and Agreements of the Selling Securityholders. Each Selling Securityholder represents and warrants to, and agrees with, the several Underwriters that:

(i) Such Selling Securityholder has full right, power and authority to enter into this Agreement, the Pricing Agreement, the custody agreement (the "Custody Agreement") and the power of attorney ("Power of Attorney"). Such Selling Securityholder has duly executed and delivered this Agreement and the Pricing Agreement. The Custody Agreement and the Power of Attorney have been duly executed and delivered on behalf of each Selling Securityholder and the Custody Agreement and the Power of Attorney constitute the valid and binding agreements of such Selling Securityholder enforceable against such Seller Securityholder in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting the rights of creditors generally and subject to general principals of equity.

(ii) Such Selling Securityholder has full right, power and authority to sell, transfer, assign and deliver the Stock being sold by such Selling Securityholder hereunder. Immediately prior to the delivery of the shares of Stock being sold by such Selling Securityholder, such Selling Securityholder was the sole registered owner of such shares of Stock and had good and valid title

to such shares of Stock, free and clear of all adverse claims as defined in Section 8-302 of the Uniform Commercial Code and, upon registration of such shares of Stock in the names of the Underwriters or their nominees, assuming that such purchasers purchased such shares of Stock in good faith without notice of any adverse claims as defined in Section 8-302 of the Uniform Commercial Code, such purchasers will have acquired all the rights of such Selling Securityholder in such shares of Stock free of any adverse claim, any lien in favor of the Company or restrictions on transfer imposed by the Company.

(iii) The performance of this Agreement, the Custody Agreement and the Power of Attorney and the consummation of the transactions Securityholder, or any indenture, mortgage, deed of trust, note or herein and therein contemplated will not, with the giving of notice other material contract, agreement or instrument to which such or the passage of time or both, result in a breach or violation of Selling Securityholder is a party or by which it is bound, or any any of the terms or provisions of or constitute a default under any judgment, order or decree of any court or governmental agency or statute, rule or regulation applicable to such Selling body having jurisdiction over such Selling Securityholder or any of its properties, or, if such Selling Securityholder is a corporation, the certificate or articles of incorporation or by-laws of such Selling Securityholder.

(iv) Without the prior written consent of Dean Witter Reynolds Inc. on behalf of the Underwriters, such Selling Securityholder will not, during the period commencing on the date hereof and ending 90 days after the date of the final prospectus relating to the offering (the Prospectus"), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer of dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock (whether such shares or any such securities are now owned by the undersigned or are hereafter acquired), or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise, except for (a) the exercise of outstanding options granted by the Company pursuant to any options granted or to be granted pursuant to any employee or non-employee director stock option plans (but not the sale, distribution, pledge, hypothecation or other disposition of shares of Common Stock received upon exercise of such option), (ii) the transfer of shares of Common Stock by a Selling Shareholder that is a partnership or any affiliated partner or to any partner of such Selling Shareholder and (iii) the transfer of shares of Common Stock disposed of as bona fide gifts.

(v) Such Selling Securityholder has duly executed and delivered (A) the Power of Attorney appointing Roger J. Medel and Cathy J. Lerman, and each of them, as attorney-in-fact (the "Attorneys-in-Fact") with authority to execute and deliver this Agreement on behalf of such Selling Securityholder, to authorize the delivery of the shares of Stock to be sold by such Selling Securityholder hereunder and otherwise to act on behalf of such Selling Securityholder in connection with the transactions contemplated by this Agreement, and (B) the Custody Agreement appointing the Company, as Custodian, to hold in custody for delivery under this Agreement certificates for the shares of Stock to be sold by such Selling Securityholder hereunder.

(vi) No consent, approval, authorization or order of any court or governmental agency or body is required for the consummation by such Selling Securityholder of the transactions contemplated by this Agreement, except such as may be required by the NASD or

under the Act or the securities or Blue Sky laws of any jurisdiction in connection with the purchase and distribution of the Stock by the Underwriters.

(vii) Such Selling Securityholder has not (A) taken, directly or indirectly, any action designed to cause or result in, or that has constituted or could reasonably be expected to constitute, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Stock or (B) since the filing of the Registration Statement (1) sold, bid for, purchased or paid anyone any compensation for soliciting purchases of, the Stock or (2) paid or agreed to pay to any person any compensation for soliciting another to purchase any other securities of the Company.

(viii) All information furnished or to be furnished to the Company by or on behalf of such Selling Securityholder for use in connection with the preparation of the Registration Statement and the Prospectus, insofar as it relates to such Selling Securityholder, is or will be true and correct in all respects and, with respect to the Registration Statement, does not and will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and, with respect to the Prospectus, does not and will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(ix) Nothing has come to such Selling Securityholder's attention that has caused such Selling Securityholder to believe that (A) at the time the Registration Statement becomes effective and at the Representation Date, it will include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and (B) the Prospectus, at the time the Registration Statement becomes effective and as of the Representation Date (unless the term "Prospectus" refers to a prospectus which has been provided to the Underwriters by the Company for use in connection with the offering of the Stock which differs from the prospectus on file at the Commission at the time the Registration Statement becomes effective, in which case at the time it is first provided to the Underwriters for such use) and at the Closing Date, the Prospectus will include any untrue statement of material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The foregoing representations, warranties and agreements in this subsection (ix) shall not apply to information contained in or omitted from the Registration Statement or the Prospectus in reliance upon, and in conformity with, written information furnished to the Company by or on behalf of any Underwriter, directly or through the Representatives, specifically for use in the preparation thereof.

Each Selling Securityholder agrees that the shares of Stock represented by the certificates held in custody under the Custody Agreement are for the benefit of and coupled with and subject to the interests of the Underwriters, the other Selling Securityholders and the Company hereunder, and that the arrangement for such custody and the appointment of the Attorneys-in-fact (under the Power of Attorney) are irrevocable; that the obligations of such Selling Securityholder hereunder shall not be terminated by operation of law, whether by the death or incapacity of such Selling Securityholder, or any other event, that if such Selling Securityholder should die or become incapacitated or any other event occur, before the delivery of the Stock hereunder, certificates for the Stock to be sold by such Selling Securityholder shall be delivered on behalf of such Selling Securityholder in accordance with the terms and conditions of this Agreement, the Custody Agreement and the Power of Attorney, and action taken by the Attorneys-in-fact or any of them under the Power of Attorney shall be as valid as if such death, incapacity or other event had not occurred, whether or not the Custodian, the Attorneys-in-fact or any of them shall have notice of such death, incapacity or other event.

Each Selling Securityholder further agrees that neither such Selling Securityholder nor any of its officers, directors, or affiliates will (a) take, directly or indirectly, prior to the termination of the underwriting syndicate contemplated by this Agreement, any action designed to cause or to result in, or that could reasonably be expected to constitute, the stabilization or manipulation of the price of any securities of the Company to facilitate the sale or resale of any of the shares of the Stock, (b) sell, bid for, purchase or pay anyone any compensation for soliciting purchases of, the Stock or (c) pay to or agree to pay any person any compensation for soliciting another to purchase any other securities of the Company.

3. Purchase by, and Sale and Delivery to, Underwriters; Closing Date. On the basis of the representations, warranties, covenants and agreements herein contained, and subject to the terms and conditions herein set forth: (i) the Company and the Selling Shareholders agree, severally and not jointly, to sell to the Underwriters the Firm Stock, with the number of shares to be sold by each Selling Shareholder being set opposite his name in Schedule B and (ii) the Underwriters agree, severally and not jointly, to purchase from the Company and the Selling Shareholders at the price per share set forth in the Pricing Agreement, the number of shares of Firm Stock set forth opposite their names in Schedule A (except as otherwise provided in the Pricing Agreement), subject to adjustment in accordance with Section 11 hereof. The number of shares of Firm Stock to be purchased by each Underwriter from each Selling Shareholder hereunder shall bear the same proportion to the total number of shares of Firm Stock to be purchased by such Underwriter hereunder as the number of shares of Firm Stock being sold by each Selling Shareholder bears to the total number of shares of Firm Stock, subject to adjustment by the Representatives to eliminate fractions.

If the Company has elected not to rely upon Rule 430A under the Rules and Regulations, the initial public offering price and the purchase price per share to be paid by the several Underwriters for the Firm Stock each have been determined and set forth in the Pricing Agreement, dated the date hereof, and an amendment to the Registration Statement and the Prospectus will be filed before the Registration Statement becomes effective.

If the Company has elected to rely upon Rule 430A under the Rules and Regulations, the purchase price per share to be paid by the several Underwriters for the Firm Stock shall be an amount equal to the initial public offering price, less an amount per share to be determined by agreement between the Representatives and the Company. The initial public offering price per share of the Firm Stock sahll be a fixed price to be determined by agreement between the Representatives, the Company and the Selling Shareholders. The initial public offering price and the purchase price, when so determined, shall be set forth in the Pricing Agreement. In the event that such prices have not been agreed upon and the Pricing Agreement has not been executed and delivered by all parties thereto by the close of business on the fourteenth business day following the date of this Agreement, this Agreement shall terminate forthwith, without liability of any party to any other party, unless otherwise agreed to by the Company and the Representatives.

The Company and the Selling Securityholders will deliver the Firm Stock to the Representatives for the respective accounts of the several Underwriters (in the form of definitive certificates, issued in such names and in such denominations as the Representatives may direct by notice in writing to the Company and the Selling Securityholders given at or prior to 12:00 Noon, New York Time, on the business day preceding the Closing Date or, if no such direction is received, in the names of the respective Underwriters in the amount set forth opposite each Underwriter's name on Schedule A hereto), against payment of the purchase price therefor by certified or official bank check or checks in New York Clearing House or similar next day funds, payable to the order of the Company, and the Company as custodian for the Selling Securityholders, all at the offices of Latham & Watkins, 855 Third Avenue, Suite 1000, New York, New York 10022. The time and date of delivery and closing shall be at 10:00 a.m., New York Time, the fourth full business day after the Registration Statement becomes effective (or, if the Company has elected to rely upon Rule 430A, the third full business day after execution of the Pricing Agreement); provided, however, that such date and time may be accelerated or extended by agreement among the Company, the Selling Securityholders and the Representatives or postponed pursuant to the provisions of Section 12 hereof. The time and date of such payment and delivery are herein referred to as the "First Closing Date." The Company and the Selling Securityholders shall make the certificates for the Stock available to the Representatives

for examination on behalf of the Underwriters not later than 3:00 p.m., New York Time, on the business day preceding the Closing Date.

In addition, for the purpose of covering any over-allotments in connection with the distribution and sale of the Firm Stock as contemplated by the Prospectus, the Option Selling Shareholders hereby grant the Underwriters an option to purchase, severally and not jointly, up to 750,000 shares in the aggregate of the Optional Stock. The purchase price per share to be paid for the Optional Stock shall be the same price per share as the price per share for the Firm Stock. The option granted hereby may be exercised as to all or any part of the Optional Stock at any time not more than 30 days subsequent to the effective date of this Agreement. No Optional Stock shall be sold and delivered unless the Firm Stock previously has been, or simultaneously is, sold and delivered. The right to purchase the Optional Stock or any portion thereof may be surrendered and terminated at any time upon notice by the Representatives to the Option Selling Shareholders.

The option granted hereby may be exercised by the Representatives on behalf of the Underwriters by giving written notice to the Option Selling Shareholders setting forth the number of shares of the Optional Stock to be purchased by them and the date and time for delivery of and payment for the Optional Stock. Such date and time for delivery of and payment for the Optional Stock (which may be the First Closing Date) is herein called the "Option Closing Date" and shall be not later than 10 days after written notice is given. All purchases of Optional Stock from the Option Selling Shareholders shall be made on a pro rata basis. Optional Stock shall be purchased for the account of each Underwriter in the same proportion as the number of shares of Firm Stock set forth opposite such Underwriters name in Schedule A hereto bears to the total number of shares of Firm Stock, subject to adjustment by the Representatives to eliminate odd lots. Upon exercise of the option by the Representatives, the Option Selling Shareholders agree to sell to the Underwriters the number of shares of Optional Stock set forth in the written notice of exercise and the Underwriters agree, severally and not jointly, subject to the terms and conditions herein set forth, to purchase such shares of Optional Stock.

The Option Selling Shareholders will deliver the Optional Stock to the Representatives for the respective accounts of the several Underwriters (in the form of definitive certificates, issued in such names and in such denominations as the Representatives may direct by notice in writing to the Option Selling Shareholders given at or prior to 12:00 Noon, New York Time, on the business day preceding the Option Closing Date or, if no such direction is received, in the names of the respective Underwriters), against payment of the purchase price therefor by certified or official bank check or checks in New York Clearing House or similar next day funds, payable to the order of the Company, and the Company as custodian for the Option Selling Shareholders, all at the offices of Latham & Watkins, 855 Third Avenue, Suite 1000, New York, New York 10022. The Option Selling Shareholders shall make the certificates for the Optional Stock available to the Representatives for examination on behalf of the Underwriters, not later than 3:00 p.m., New York Time, on the business day preceding, the Option Closing Date.

It is understood that Dean Witter Reynolds Inc. or other Representatives, individually and not as Representatives of the several Underwriters, may (but shall not be obligated to) make payment to the Company or to the Selling Securityholders on behalf of any Underwriter or Underwriters, for the Stock to be purchased by such Underwriter or Underwriters. Any such payment by Dean Witter Reynolds Inc. or other Representatives shall not relieve such Underwriter or Underwriters from any of their other obligations hereunder.

After the Registration Statement becomes effective, the several Underwriters propose to make an initial public offering of the Firm Stock at the initial public offering price. The Representatives shall promptly advise the Company and the Selling Securityholders of the making of the initial public offering.

4. Covenants and Agreements of the Company. The Company covenants and agrees with the several Underwriters that:

(a) The Company will use its best efforts to cause the Registration Statement to become effective under the Act, will advise the Representatives promptly as to the time at which the Registration Statement becomes effective, will advise the Representatives promptly of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of the institution of any proceedings for that purpose, and will use its best efforts to prevent the issuance of any such stop order and to obtain as soon as possible the lifting thereof, if issued. If the Company elects to rely on Rule 434 under the Rules and Regulations, the Company will prepare a "term sheet" that complies with the requirements of Rule 434 under the Rules and Regulations. If the Company elects not to rely on Rule 434, the Company will provide the Underwriters with copies of the form of Prospectus, in such number as the Underwriters may reasonably request, and file or transmit for filing with the Commission such Prospectus in accordance with Rule 424(b) of the Rules and Regulations by the close of business in New York in the business day immediately succeeding the date of the Pricing Agreement. If the Company elects to rely on Rule 434, the Company will provide the Underwriters with the copies of the form of Rule 434 Prospectus, in such number as the Underwriters may reasonably request, and file or transmit for filing with the Commission the 434 Prospectus in accordance with Rule 424(b) of the Rules and Regulations by the close of business in New York on the business day immediately succeeding the date of the Pricing Agreement.

(b) The Company will advise the Representatives promptly of any request by the Commission for any amendment of or supplement to the Registration Statement or the Prospectus or for additional information, and will not at any time file any amendment to the Registration Statement or supplement to the Prospectus which shall not previously have been submitted to the Representatives a reasonable time prior to the proposed filings thereof or to which the Representatives shall reasonably object in writing or which is not in compliance with the Act and the Rules and Regulations.

(c) The Company will prepare and file with the Commission, promptly upon the request of the Representatives, any amendments or supplements to the Registration Statement or the Prospectus (including any revised prospectus which the Company proposes for use by the Underwriters in connection with the offering of the Stock which differs from the prospectus on file at the Commission at the time the Registration Statement becomes effective, whether or not such revised prospectus is required to be filed pursuant to Rule 424 of the Rules and Regulations or any term sheet prepared in reliance on Rule 434 of the Rules and Regulations) which in the opinion of the Representatives may be necessary to enable the several Underwriters to continue the distribution of the Stock and will use its best efforts to cause the same to become effective as promptly as possible.

(d) If any time after the effective date of the Registration Statement when a prospectus relating to the Stock is required to be delivered under the Act any event relating to or affecting the Company or any of its subsidiaries or PA Contractors occurs as a result of which the Prospectus or any other prospectus as then in effect would include an untrue statement of a material fact, or omit to state any material fact to make the statements therein in light of the circumstances under which they were made not misleading, or if it is necessary at any time to amend the Prospectus to comply with the Act, the Company will promptly notify the Representatives thereof and will prepare an amended or supplemented prospectus (in form and substance satisfactory to counsel to the Underwriters) which will correct such statement or omission; and, in case any Underwriter is required to deliver a prospectus relating to the Stock nine months or more after the effective date of the Registration Statement, the Company upon the request of the Representatives and at the expense of such Underwriter will prepare promptly such prospectus or prospectuses as may he necessary to permit compliance with the requirements of Section 10(a)(3) of the Act.

(e) The Company will deliver to the Representatives, at or before the Closing Date, signed copies of the Registration Statement and all amendments thereto including all financial statements and exhibits thereto and will deliver to the Representatives such number of copies of the Registration Statement, including such financial statements but without exhibits, and of all amendments thereto, as the

Representatives may reasonably request. The Company will deliver or mail to or upon the order of the Representatives, from time to time until the effective date of the Registration Statement, as many copies of the Prospectus as the Representatives may reasonably request. The Company will deliver or mail to or upon the order of the Representatives on the date of the initial public offering, and thereafter from time to time during the period when delivery of a prospectus relating to the Stock is required under the Act, as many copies of the Prospectus, in final form or as thereafter amended or supplemented as the Representatives may reasonably request; provided, however, that the expense of the preparation and delivery of any prospectus required for use nine months or more after the effective date of the Registration Statement shall be borne by the Underwriters required to deliver such prospectus.

(f) The Company will make generally available to its security holders as soon as practicable, but in any event not later than 60 days after the close of the period covered thereby, an earnings statement (in form complying with the provisions of Rule 158 under the Act) which will be in reasonable detail (but which need not be audited) and which will comply with Section 11(a) of the Act, covering a period of at least twelve months beginning not later than the first day of the Company's fiscal quarter next following the "effective date" (as defined in Rule 158) of the Registration Statement.

(g) The Company will cooperate with the Representatives to enable the Stock to be qualified for sale under the securities laws of such jurisdictions as the Representatives may designate and at the request of the Representatives will make such applications and furnish such information as may be required of it as the issuer of the Stock for that purpose; provided, however, that the Company shall not be required to qualify to do business or to file a general consent to service of process in any such jurisdiction. The Company will, from time to time, prepare and file such statements and reports as are or may be required of it as the issuer of the Stock to continue such qualifications in effect for so long a period as the Representatives may reasonably request for the distribution of the Stock.

(h) For so long as the Company is subject to the informational requirements of the Exchange Act, the Company will furnish to its shareholders annual reports containing financial statements certified by independent public accountants and with quarterly summary financial information in reasonable detail which may be unaudited. During the period of five years from the date hereof, the Company will deliver to the Representatives copies of each annual report of the Company and each other report furnished by the Company to its shareholders; and will deliver to the Representatives, as soon as they are available, copies of any other reports (financial or other) which the Company shall publish or otherwise make available to any of its security holders as such, and as soon as they are available, copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange or the NASD.

(i) The Company will file with the Nasdaq National Market all documents and notices required by the Nasdaq National Market of companies that have issued securities that are traded in the over-the-counter market and quotations for which are reported by the Nasdaq National Market.

(j) The Company will use the net proceeds received by it from the sale of the Stock in the manner specified in the Prospectus under "Use of Proceeds."

(k) The Company will file with the Commission such reports on Form SR as may be required pursuant to Rule 463 under the Act.

(l) During a period of 90 days from the date of the Pricing Agreement, the Company will not, without the Representatives' prior written consent, directly or indirectly, sell, offer to sell, grant any option for the sale of, or otherwise dispose of, any Common Stock or any security convertible into Common Stock except for options granted or Common Stock issued pursuant to reservations, agreements or employee benefit or stock plans disclosed in the Registration Statement.

(m) At the time this Agreement is executed, the Company shall have furnished to the Representatives a letter from each officer, director and shareholder of the Company listed on Schedule D attached hereto addressed to the Representatives, in which each such person agrees not to offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offering of, any shares of Common Stock beneficially owned by such person at the time this Agreement is signed or hereafter acquired or any securities convertible into, or exchangeable for, shares of Common Stock for a period of 90 days following the date of the Pricing Agreement without the prior written consent of the Representatives, other than shares of Common Stock disposed of as bona fide gifts.

5. Payment of Expenses. The Company will pay (directly or by reimbursement) all expenses incident to the performance of the obligations of the Company and of the Selling Securityholders under this Agreement, including but not limited to all expenses and taxes incident to delivery of the Stock to the Representatives, the underwriting commission, all expenses incident to the registration of the Stock under the Act and the printing of copies of the Registration Statement, each preliminary Prospectus, the Prospectus, any amendments or supplements thereto including any term sheet delivered by the Company pursuant to Rule 434 of the Rules and Regulations, the "Blue Sky" memorandum, the Selling Securityholders' Powers of Attorney, the Custody Agreement, the Agreement Among Underwriters and this Agreement and furnishing the same to the Underwriters and dealers except as otherwise provided in Sections 4(d) and 4(e) the fees and disbursements of the Company's counsel and accountants, all filing and printing fees and expenses (including reasonable legal fees and disbursements of counsel for the Underwriters) incurred in connection with qualification of the Stock for sale under the laws of such jurisdictions as the Representatives may designate, all fees and expenses (including reasonable legal fees and disbursements of counsel for the Underwriters) paid or incurred in connection with filings made with the NASD, the fees and expenses incurred in connection with listing to the Stock on the Nasdaq National Market System, the costs of preparing stock certificates, the costs and fees of any registrar or transfer agent and all other costs and expenses incident to the performance of its their obligations hereunder which are not otherwise specifically provided for in this Section, provided, however, that each of the Selling Securityholders will pay the underwriting commissions incident to the performance of their obligations under this Agreement.

6. Indemnification and Contribution.

(a) The Company agrees to indemnify and hold harmless each Underwriter, each employee, officer, partner, director and agent of the Underwriter, and each person, if any, who controls such Underwriter within the meaning of the Act, against any losses, claims, damages, liabilities or expenses (including, except as otherwise provided below, the reasonable cost of investigating and defending against any claims therefor and reasonable counsel fees incurred in connection therewith), joint or several, which may be based upon the Act, or any other federal or state statute or at common law, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the information deemed to be a part of the Registration Statement pursuant to Rule 430A(b) or Rule 434 of the Rules and Regulations, if applicable, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary in order to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact contained in the Prospectus (or any amendment or supplement thereto) or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, unless such statement or omission was made in reliance upon, and in conformity with, written information furnished to the Company by any Underwriter, directly or through the Representatives, specifically for use in the preparation thereof; provided that the Company shall not be liable with respect to any claims made against any Underwriter or any such employee, officer, partner, director or agent or any such controlling person under this subsection unless such Underwriter, employee, officer, partner, director or agent or controlling person shall have notified the Company in writing within a reasonable time after the summons or other first legal process giving information of the nature of the claim shall have been served upon such

Underwriter, employee, officer, partner, director or agent or controlling person (such notification by an Underwriter shall suffice as notification on behalf of its officers, partners, directors, employees, agents and controlling persons), but failure to notify the Company of any such claim shall not relieve it from any liability which it may have to such Underwriter or controlling person otherwise than on account of the indemnity agreement contained in this Section 6(a).

The Company shall be entitled to participate at its own expense in the defense, or, if it so elects, to assume the defense for misstatements or omissions in a Preliminary Prospectus of any suit brought to enforce any such liability, but, if the Company elects to assume the defense, such defense shall be conducted by counsel chosen by it and reasonably satisfactory to such Underwriter or indemnified person, as the case may be. In the event the Company elects to assume the defense of any such suit and retain such counsel, the Underwriter or Underwriters or other indemnified person or persons, defendant or defendants in the suit, may retain additional counsel but shall bear the fees and expenses of such counsel unless (i) the Company shall have specifically authorized the retaining of such counsel or (ii) the parties to such suit include such Underwriter or Underwriters or other indemnified person or persons, and the Company and such Underwriter or Underwriters or other indemnified person or persons have been advised by counsel that one or more legal defenses may be available to them which may not be available to the Company, in which case the Company shall not be entitled to assume the defense of such suit notwithstanding its obligation to bear the fees and expenses of such counsel, provided that the Company shall not be responsible for the fees and expenses of more than one counsel for the Underwriters. The Company shall not be liable to indemnify any person for any settlement of such claim effected without the Company's consent, which shall not be unreasonably withheld. The Company will not, without the prior written consent, which shall not be unreasonably withheld, of each Underwriter, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought hereunder (whether or not such Underwriter or other indemnified party is a party to such claim, action, suit or proceeding), unless such settlement, compromise or consent (i) includes an unconditional release of such Underwriter and each such other indemnified person or persons from all liability arising out of such claim, action, suit or proceeding, and (ii) does not include a statement as to or as admission of fault, culpability or a failure to act by or on behalf of any indemnified party. The Company agrees that a breach of the preceding sentence shall cause irreparable harm to the Underwriters and that the Underwriters shall be entitled to injunctive relief from any appropriate court ordering specific performance of said provision. This indemnity agreement will be in addition to any liability which the Company might otherwise have.

(b) Each Selling Securityholder, severally and not jointly, agrees to indemnify and hold harmless each Underwriter, each employee, officer, partner, director and agent of the Underwriter and each person, if any, who controls such Underwriter with the meaning of the Act, against any losses, claims, damages, liabilities or expenses (including, except as otherwise provided below, the reasonable cost of investigating and defending against any claims therefor and counsel fees incurred in connection therewith), joint or several, as incurred, which may be based upon the Act, or any other statute or at common law, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the information deemed to be part of the Registration Statement pursuant to Rule 430A(b) of the Rules and Regulations, if applicable, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact contained in the Prospectus (or any amendment or supplement thereto) or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, unless such statement or omission was made in reliance upon, and in conformity with, written information furnished to the Company by such Underwriter, directly or through the Representatives, specifically for use in the preparation thereof; provided, however, that such Selling Securityholder shall not be liable with respect to any claims made against any Underwriter or any such employee, officer, partner, director or agent or any

such controlling person under this subsection unless such Underwriter, or employee, officer, partner, director or agent or controlling person shall have notified such Selling Securityholder in writing within a reasonable time after the summons or other first legal process giving information of the nature of the claim shall have been served upon such Underwriter or employee or agent or controlling person (such notification by an Underwriter shall suffice as notification on behalf of its officers, partners, directors, employees, agents or controlling persons), but failure to notify such Selling Securityholder of such claims shall not relieve such Selling Securityholder from any liability which such Selling Securityholder may have to such Underwriter or employee or agent or controlling person otherwise than on account of its indemnity agreement contained in this Section 6(b); and provided, further, that each Selling Securityholder shall only be liable under this paragraph for that proportion of any such losses, claims, damages, liabilities or expenses which the number of shares of the Stock set forth opposite such selling Securityholder's name in Schedule B and Schedule C hereto bears to the total number of shares of Stock sold hereunder and in no event shall such liability exceed the net proceeds received by such Selling Securityholder from the sale of the Stock hereunder.

Such Selling Securityholder shall be entitled to participate at his own expense in the defense, or, if he so elects, to assume the defense of any suit brought to enforce any such liability, but, if such Selling Securityholder elects to assume the defense, such defense shall be conducted by counsel chosen by such Selling Securityholder and reasonably satisfactory to such Underwriter or indemnified person, as the case may be. In the event that any Selling Securityholder elects to assume the defense of any such suit and retain such counsel, the Underwriter or Underwriters or other indemnified person or persons, defendant or defendants in the suit, may retain additional counsel but shall bear the fees and expenses of such counsel unless (i) such Selling Securityholder shall have specifically authorized the retaining of such counsel or (ii) the parties to such suit include such Underwriter or Underwriters or other indemnified person or persons and such Selling Securityholder and such Underwriter or Underwriters or other indemnified person or persons have been advised by counsel that one or more legal defenses may be available to it or them which may not be available to such Selling Securityholder, in which case such Selling Securityholder shall not be entitled to assume the defense of such suit notwithstanding its obligation to bear the fees and expenses of such counsel, provided the Selling Securityholder shall not be responsible for the fees and expenses of more than one such counsel. The Selling Securityholder against whom indemnity may be sought shall not be liable to indemnify any person for any settlement of such claim effected without such Selling Securityholder's consent which shall not be unreasonably withheld. This indemnity agreement will be in addition to any liability which such Selling Securityholder might otherwise have.

(c) Each Underwriter severally agrees to indemnify and hold harmless the Company, each of its directors, each of its officers who have signed the Registration Statement and each person, if any, who controls the Company within the meaning of the Act and each Selling Securityholder and each person, if any, who controls a Selling Securityholder within the meaning of the Act, against any losses, claims, damages, liabilities or expenses (including the reasonable cost of investigating and defending against any claims therefor and reasonable counsel fees incurred in connection therewith), joint or several, which may be based upon the Act, or any other statute or at common law, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the information deemed to be part of the Registration Statement pursuant to Rule 430A(b) of the Rules and Regulations, if applicable, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact contained in the Prospectus (or any amendment or supplement thereto) or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, but only insofar as any such statement or omission was made in reliance upon, and in conformity with, written information furnished to the Company by such Underwriter, directly or through the Representatives, specifically for use in the preparation thereof;

provided, however, that in no case is such Underwriter to be liable with respect to any claims made against the Company or any person against whom the action is brought unless the Company or such person shall have notified such Underwriter in writing within a reasonable time after the summons or other first legal process giving information of the nature of the claim shall have been served upon the Company or such person, but failure to notify such Underwriter of such claim shall not relieve it from any liability which it may have to the Company or such person otherwise than on account of its indemnity agreement contained in this paragraph.

Such Underwriter shall be entitled to participate at its own expense in the defense, or, if it so elects, to assume the defense of any suit brought to enforce any such liability, but, if such Underwriter elects to assume the defense, such defense shall be conducted by counsel chosen by it and reasonably satisfactory to the Company or such person, as the case may be. In the event that any Underwriter elects to assume the defense of any such suit and retain such counsel, the Company, said employees, agents, officers and directors and any other Underwriter or Underwriters or employee or employees or agent or agents or controlling person or persons, defendant or defendants in the suit, shall bear the fees and expenses of any additional counsel retained by them, provided the Underwriters shall not be responsible for the fees and expenses of more than one such counsel. The Underwriter against whom indemnity may be sought shall not be liable to indemnify any person for any settlement of any such claim effected without such Underwriter's consent which shall not be unreasonably withheld. This indemnity agreement will be in addition to any liability which such Underwriter might otherwise have.

(d) If the indemnification provided for in this Section 6 is unavailable or insufficient to hold harmless an indemnified party under subsections (a), (b) or (c) above in respect of any losses, claims, damages, liabilities or expenses (or actions in respect thereof) referred to herein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or expenses (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Securityholders on the one hand and the Underwriters on the other from the offering of the Stock. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and the Selling Securityholders on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Securityholders on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company and the Selling Securityholders bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, the Selling Securityholders or the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, the Selling Securityholders and the Underwriters agree that it would not be just and equitable if contribution were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or expenses (or actions in respect thereof) referred to above shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such claim. Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the shares of the Stock underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has

otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. Further, notwithstanding the provisions of this subsection, no Selling Securityholder shall be required to contribute any amount that, together with the amount of any damages which such Selling Securityholder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission, exceeds the limit of such Selling Securityholder's liability prescribed by subsection (b) of this Section 6. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute are several in proportion to their respective underwriting obligations and not joint.

7. Survival of Indemnities, Representations, Warranties, etc. The respective indemnities, covenants, agreements, representations, warranties and other statements of the Company, the Selling Securityholders and the several Underwriters, as set forth in this Agreement or made by them respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation made by or on behalf of any Underwriter, the Selling Securityholders, the Company or any of its officers or directors or any controlling person, and shall survive delivery of and payment for the Stock.

8. Conditions of Underwriters' Obligations. The respective obligations of the several Underwriters hereunder shall be subject to the accuracy, at and (except as otherwise stated herein) as of the date hereof, the Representation Date and the Closing Date or the Option Closing Date, as the case may be, of the representations and warranties made herein by the Company and the Selling Securityholders, to the accuracy of the statements of the Company's officers or directors in any certificate furnished pursuant to the provisions hereof, to compliance at and as of such Closing Date by the Company and the Selling Securityholders with their covenants and agreements herein contained and other provisions hereof to be satisfied at or prior to such Closing Date, and to the following additional conditions:

(a) The Registration Statement shall become effective not later than 3:00 p.m., New York City time, on the date hereof or, with the consent of the Representatives, at a later time and date, not later, however, than 5:30 p.m., New York City time on the first business day following the date hereof, or at such later date as may be approved by a majority in interest of the Underwriters, and at such Closing Date (i) no stop order suspending the effectiveness thereof shall have been issued and no proceedings for that purpose shall have been initiated or, to the knowledge of the Company or the Representatives, threatened by the Commission, and any request for additional information on the part of the Commission (to be included in the Registration Statement or the Prospectus or otherwise) shall have been complied with to the reasonable satisfaction of the Representatives, and (ii) there shall not have come to the attention of the Representatives any facts that would cause them to believe that the Prospectus, at the time it was required to be delivered to a purchaser of the Stock, contained any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. If the Company has elected to rely upon Rule 430A of the Rules and Regulations, the price of the Stock and any price related information previously omitted from the effective Registration Statement pursuant to Rule 430A shall have been transmitted to the Commission for filing pursuant to Rule 424(b) of the Rules and Regulations within the prescribed time period, and before the Closing Date the Company shall have provided evidence satisfactory to the Representatives of such timely filing, or a post-effective amendment providing such information shall have been promptly filed and declared effective in accordance with the requirements of Rule 430A of the Rules and Regulations.

(b) At the time of execution of this Agreement, the Representatives shall have received from Coopers & Lybrand L.L.P. a letter, dated the date of such execution, in form and substance previously approved by the Representatives, and to the effect that:

(i) They are independent certified public accountants with respect to the Company and its subsidiaries and PA Contractors within the meaning of the Act and the Rules and Regulations;

(ii) In their opinion, the consolidated financial statements and supporting schedules audited by them and included in the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the Act and the related published Rules and Regulations thereunder;

(iii) The unaudited selected financial information with respect to the consolidated results of operations and financial position of the Company for the five most recent fiscal years included in the Prospectus agrees with the corresponding amounts (after restatement where applicable) in the audited consolidated financial statements for the five such fiscal years; and

(iv) On the basis of limited procedures, not constituting an audit in accordance with generally accepted auditing standards, consisting of a reading of the unaudited consolidated interim financial statements of the Company as included in the Registration Statement and the unaudited financial statements and other information referred to below, a reading of the latest available interim financial statements of the Company and its subsidiaries and PA Contractors, inspection of the minute books of the Company and its subsidiaries and PA Contractors since the date of the latest audited financial statements included or incorporated by reference in the Prospectus, inquiries of officials of the Company and its subsidiaries and PA Contractors responsible for financial and accounting matters and such other inquiries and procedures as may be specified in such letter, they have made the following inquiries of certain officials of the Company:

(A) the unaudited consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included in the Prospectus (I) are in conformity with generally accepted accounting principles applied in a basis substantially consistent with that of the audited financial statements included in the Prospectus, and (II) and comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations thereunder;

(B) as of a specified date not more than five days prior to the date of such letter, there has been no change in the consolidated capital stock of the Company (other than issuances of capital stock upon exercise of options, and upon conversions of convertible securities, in each case which were outstanding on the date of the latest balance sheet included in the Prospectus) or no increase in the consolidated long-term debt of the Company and consolidated subsidiaries and PA Contractors, any decrease in the consolidated net current assets and stockholders' equity or any change in any other items specified by the Representatives, in each case as compared with amounts shown in the latest balance sheet included in the Prospectus, except in each case for changes, increases or decreases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(C) for the period from the date of the latest financial statements included in the Prospectus to the specified date referred to in Clause (B) there was no decrease in consolidated net patient service revenues or the total or per share amounts of consolidated net income or other items specified by the Representatives, or no increases in any items specified by the Representatives, in each case as compared with the comparable period of the preceding year and with any other period of corresponding length specified by the Representatives, except in each case for increases or decreases

which the Prospectus discloses have occurred or may occur or which are described in such letter.

(v) In addition to the audit referred to in their report(s) included in the Prospectus and the limited procedures, inspection of minute books, inquiries and other procedures referred to in paragraphs (iii) and (iv) above, they have carried out certain specified procedures, not constituting an examination in accordance with generally accepted auditing standards, with respect to certain amounts, percentages and financial information specified by the Representatives which are derived from the general accounting records of the Company and its subsidiaries and PA Contractors, which appear in the Prospectus or in Part II of, or in exhibits and schedules to, the Registration Statement specified by the Representatives and have compared certain of such amounts, percentages and financial information with the accounting records of the Company and its subsidiaries and PA Contractors and have found them to be in agreement; and

(vi) In addition, they have carried out certain specified procedures, not constituting an examination in accordance with generally accepted auditing standards with respect to the pro forma condensed consolidated financial statements including reading of the unaudited pro forma condensed consolidated financial statements included in the Registration Statement and the Prospectus, carrying out certain specified procedures and inquiries of certain officials of the Company and its consolidated subsidiaries and PA Contractors who have responsibility for financial and accounting matters as to whether all significant assumptions regarding the business combination have been reflected in the pro forma adjustments and whether the unaudited pro forma condensed consolidated financial statements comply as to form in all material respects with the applicable accounting requirements of Rule 11-02 of Regulations S-X and proving the arithmetic accuracy of the application of the pro forma adjustments to the historical amounts in the unaudited pro forma condensed consolidated financial statements.

(c) The Representatives shall have received from Coopers & Lybrand, L.L.P. a letter, dated the Closing Date, to the effect that such accountants reaffirm, as of such Closing Date, and as though made on such Closing Date, the statements made in the letter furnished by such accountants pursuant to paragraph (b) of this Section 8, except that the specified date will be a date not more than five business days prior to the Closing Date.

(d) The Representatives shall have received from Greenberg, Traurig, Hoffman, Lipoff Rosen & Quentel, counsel for the Company, an opinion dated the Closing Date, to the effect that:

(i) The Company (a) has been incorporated under the Florida Business Corporation Act (the "FBCA") and its status is active; (b) was organized under the FBCA; and (c) has the corporate power to conduct its business as described in the Prospectus. To our best knowledge, the Company is in possession of and is operating in compliance with all franchises, grants, authorizations, licenses, permits, easements, consents, certificates and orders required for the conduct of its business (collectively, the "Permits"), except for such Permits the failure to so possess or comply with would, not singly or in the aggregate, have a Material Adverse Effect; and the Company is duly qualified as a foreign corporation in good standing in all other jurisdictions where its ownership or leasing of properties or the conduct of its business requires such qualification, except where the failure to so qualify would not, singly or in the aggregate, have a Material Adverse Effect.

(ii) We have reviewed (i) the contractual relationships (a) between the Company and its PA Contractors ("Management Services Contracts") and (b) between the Company and certain hospitals and between the PA Contractors and certain hospitals (collectively, "Hospital

Contracts") and (ii) the federal and state health care laws and regulations in the jurisdictions in which the Company or the PA Contractors are doing business that are applicable to such relationships, including but not limited to those laws governing the corporate practice of medicine, medical practices, professional corporations, fee splitting, fraud and abuse and self-referral. We are of the opinion as of the date hereof, that the Management Services Contracts and the Hospital Contracts do not violate any such federal or state law or present regulation in any jurisdiction in which the Company or a PA Contractor is doing business, except where such violation would not, singly or in the aggregate, have a Material Adverse Effect.

(iii) The Company has authorized, and to the best knowledge of such counsel, outstanding capital stock as set forth under the heading "Capitalization" in the Prospectus; all outstanding shares of Common Stock (including the shares of Firm Stock of Optional Stock delivered on the date hereof) conform in all material respects to the description thereof in the Prospectus and have been duly authorized and validly issued and are fully paid and nonassessable, and the stockholders of the Company have no statutory preemptive rights or, to the best knowledge of such counsel, similar rights with respect to any shares of capital stock of the Company.

(iv) Except as disclosed in the Prospectus, to the best of such counsel's knowledge, there are no legal or governmental proceedings pending other than those set forth under the heading "Business -- Proceedings" in the Prospectus to which the Company or any of its subsidiaries or PA Contractors is a party or of which any property of the Company or any subsidiary or PA Contractor is the subject, which individually or in the aggregate, if adversely determined, would have a Material Adverse Effect; and to the best of such counsel's knowledge no such proceedings are threatened by governmental authorities or others.

(v) This Agreement and the Pricing Agreement have been duly authorized, executed and delivered by the Company; and the performance of this Agreement and the Pricing Agreement and the consummation of the transactions herein and therein contemplated will not result in a breach or violation of any of the terms or provisions of or constitute a default under any Federal or Florida statute, indenture, mortgage, deed of trust, loan agreement, note, lease or other material agreement or instrument known to such counsel to which the Company is a party or by which it is bound, the Company's articles of incorporation or by-laws, or any order, rule or regulation known to such counsel of any court or governmental agency or body having jurisdiction over the Company or any of its properties (except any state securities or "Blue Sky" rules or regulations, as to which we render no opinion).

(vi) No consent, approval, authorization or order of any court or governmental agency or body is required for the consummation by the Company of the transactions contemplated by this Agreement and the Pricing Agreement, except such as may be required under the Act or as may be required under the securities or Blue Sky laws of any jurisdiction or by the NASD in connection with the purchase and distribution of the Stock by the Underwriters.

(vii) The Registration Statement has become effective under the Act, and to the best of the knowledge of such counsel, no stop order suspending the effectiveness thereof has been issued and no proceedings for that purpose have been instituted or are pending or contemplated under the Act.

(viii) The Common Stock has been approved for listing on the Nasdaq National Market System. The Registration Statement on Form 8-A relating to the Common Stock has become effective under the Securities Exchange Act of 1934, as amended.

(ix) The Registration Statement and the Prospectus (other than the financial statements and supporting schedules included therein, as to which no opinions need be rendered), and each amendment or supplement thereto, as of their respective effective or issue dates and as of the Closing Date complied as to form in all materials respects with the requirements of the Act and the Rules and Regulations.

(x) The descriptions in the Registration Statement and Prospectus of contracts and other documents are accurate in all material respects and such descriptions fairly present in all material respects the information required to be show; and such counsel does not know of any legal or governmental proceedings or of any contracts or documents of a character required to be described in the Registration Statement or Prospectus to be filed as exhibits to the Registration Statement or Prospectus which are not described and filed as required.

(xi) The Company is not, and will not be as a result of the consummation of the transactions contemplated by this Agreement, an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(xii) To such counsel's knowledge, the Registration Statement (other than the financial statements and supporting schedules included therein, as to which no opinions need be rendered), at the time it became effective or at the Representation Date, did not contain any untrue statement of a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus, at the Representation Date (unless the term "Prospectus" refers to a prospectus which as been provided to the Underwriters by the Company for use in connection with the offering of the Stock which differs from the prospectus on file at the Commission at the time the Registration Statement became effective, in which case at the time it was first provided to the Underwriters for such use) or at the Closing Date, included any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(xiii) The subsidiaries of the Company (the "Subsidiaries") and the PA Contractors, each (a) has been incorporated or organized under the laws of its respective jurisdiction of incorporation or organization and its status is active, (b) was organized under such laws and (c) has corporate power to conduct its respective businesses as described in the Prospectus, and each of such Subsidiaries and PA Contractors are duly qualified as foreign corporations, partnerships or professional corporations in good standing in all other jurisdictions where their ownership or leasing of properties or the conduct of their businesses requires such qualification, except where the failure to be so qualified would not singly or in the aggregate have a Material Adverse Effect.

(xiv) All outstanding shares of capital stock of the Subsidiaries have been duly authorized and validly issued, are fully paid and nonassessable, and to such counsel's knowledge, are owned by the Company free and clear of any liens, encumbrances, equities and claims.

(e) The Representatives shall have received from (a) Hutchins, Wheeler & Dittmar, counsel for Summit Partners and (b) Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, counsel for the Selling Securityholders other than Summit Partners, opinions dated the Closing Date to the effect that:

(i) Each Selling Securityholder has full right, power and authority to enter into this Agreement, the Pricing Agreement and the Custody Agreement. Each Selling Securityholder has duly executed and delivered this Agreement and the Pricing Agreement. The Custody Agreement has been duly executed and delivered on behalf of each Selling Securityholder and constitutes the valid and binding agreement of such Selling Securityholder

enforceable against such Selling Securityholder in accordance with its terms subject, as to enforcement, to applicable bankruptcy, insolvency, reorganization and moratorium laws and other laws affecting the enforcement of creditors' rights generally and to equitable principles.

(ii) Each Selling Securityholder has full right, power and authority to sell, transfer, assign and deliver the Stock being sold by such Selling Securityholder hereunder. Immediately prior to the delivery of the shares of Stock being sold by such Selling Securityholder, such Selling Securityholder was the sole registered owner of such shares of Stock and, upon registration of such shares of Stock in the names of the Underwriters or their nominees, assuming that such purchasers purchased such shares of Stock in good faith without notice of any adverse claims as defined in Section 8-302 of the Uniform Commercial Code, such purchasers will have acquired all the rights of such Selling Securityholder in such shares of Stock free of any adverse claim, or to the best of such counsel's knowledge, any lien in favor of the Company or restrictions on transfer imposed by the Company.

(iii) The performance of this Agreement, the Pricing Agreement and the Custody Agreement and the consummation of the transactions herein and therein contemplated will not, with the giving of notice of passage of time or both, result in a breach or violation of any of the terms or provisions of or constitute a default under any statute, rule or regulation applicable to any Selling Securityholder, or, to the best of such counsel's knowledge, any indenture, mortgage, deed of trust, note agreement or other material agreement or instrument to which any Selling Securityholder is a party or by which it is bound, or any judgment, order or decree known to such counsel after due inquiry of any court or governmental agency or body having jurisdiction over the Selling Securityholder or any of their properties (except any state securities or "Blue Sky" rules or regulations, as to which we render no opinion) or, (a) if the Selling Securityholder is a corporation, the certificate or articles of incorporation and by-laws of the Selling Securityholder or (b) if the Selling Securityholder is a partnership, the partnership agreement or certificate of limited partnership of the Selling Securityholder.

(iv) No consent, approval, authorization or order of any court or governmental agency or body is required for the consummation by any of the Selling Securityholders of the transactions contemplated by this Agreement and the Pricing Agreement.

(v) Any transfer taxes which are required to be paid in connection with the sale and delivery of the Stock to the Underwriters hereunder have been paid and all laws imposing such taxes have been fully complied with.

(f) The Representatives shall have received from Latham & Watkins, counsel for the Underwriters, their opinion or opinions dated the Closing Date with respect to the validity of the Stock, the Registration Statement, the Prospectus and such other related matters as the Representatives may require. In giving such opinion, such counsel may rely, as to all matters governed by the laws of jurisdictions other than the law of the State of New York and the federal law of the United States, upon opinions of counsel satisfactory to the Representatives. The Company and the Selling Securityholders shall have furnished to such counsel such documents as they may reasonably request for the purpose of enabling them to pass upon such matters.

(g) The Representatives shall have received a certificate, dated such Closing Date, of the Chief Executive Officer or the President and the chief financial or accounting officer on behalf of the Company to the effect that: (i) no stop order suspending the effectiveness of the Registration Statement has been issued, and no proceedings for that purpose have been instituted or are pending or contemplated under the Act; (ii) subsequent to the respective dates as of which information is given in the Prospectus and except as contemplated in the Prospectus, neither the Company nor any of its subsidiaries or PA Contractors has incurred any liabilities or obligations, direct or contingent, nor entered into any transactions, not in the ordinary course of business, which in either case are material to the Company and its subsidiaries and PA Contractors considered as a whole, whether or not arising in the ordinary course of business, and there has not been any material adverse change in the condition (financial or otherwise), business, prospects or results of operations of the Company and its subsidiaries and PA

Contractors considered as a whole, or any change in the capital stock or long-term debt of the Company and its subsidiaries and PA Contractors considered as a whole; (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or before the Closing Date; (iv) the representations and warranties of the Company in this Agreement are true and correct at and as of the Closing Date; and (v) between the execution of this Agreement and the Closing Date, the business operations conducted by the Company and its subsidiaries and PA Contractors have not sustained a loss by strike, fire, flood, accident or other calamity (whether or not insured) of such a character as to interfere materially with the conduct of the business and operations of the Company and its subsidiaries considered as a whole. As used in this Section 8(g), the term "Prospectus" means the Prospectus in the form first used to confirm sales of Stock.

(h) The Representatives shall have received a certificate or certificates, dated such Closing Date, by or on behalf of each of the Selling Securityholders to the effect that as of the Closing Date its representations and warranties in this Agreement are true and correct as if made on and as of the Closing Date, and that it has performed all its obligations and satisfied all the conditions on its part to be performed or satisfied at or prior to such Closing Date.

(i) The Company and each of the Selling Securityholders shall have furnished to the Representatives such additional certificates as the Representatives may have reasonably requested as to the accuracy, at and as of the Closing Date, of the representations and warranties made herein by them as to compliance at and as of the Closing Date by it with their covenants and agreements herein contained and other provisions hereof to be satisfied at or prior to the Closing Date and as to other conditions to the obligations of the Underwriters hereunder.

(j) The Stock shall have been approved for listing on Nasdaq National Market System.

(k) In the event the Underwriters exercise the option granted in Section 3 hereof to purchase all or any portion of the Optional Shares, the representations and warranties of the Company and the Selling Shareholders contained herein and the statements in any certificates furnished by the Company hereunder shall be true and correct as of the Option Closing Date, and you shall have received:

(i) A letter from Coopers & Lybrand L.L.P. in form and substance satisfactory to you and dated the Option Closing Date, substantially the same in scope and substance as the letter furnished to you pursuant to Section 8(b), except that the specified date in the letter furnished pursuant to this Section 8(k) shall be a date not more than five days prior to the Option Closing Date.

(ii) A certificate, dated the Option Closing Date, of the Chief Executive Officer or President and the chief financial or accounting officer of the Company confirming that the certificate delivered at the First Closing Date pursuant to Section 8(g) remains true as of the Option Closing Date.

(iii) A certificate, dated the Option Closing Date, of the Selling Shareholders confirming that the certificates delivered at the First Closing Date pursuant to Section 8(h) remain true as of the Option Closing Date.

(iv) The opinion of Greenberg, Traurig, Hoffman, Lipoff Rosen & Quentel, counsel for the Company, in form and substance satisfactory to counsel for the Underwriters, dated the Option Closing Date, relating to the Optional Stock and otherwise to the same effect as the opinion required by Section 8(d).

(v) The opinions of (a) Hutchins, Wheeler & Dittmar, counsel for Summit Partners and (b) Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, counsel for the Selling Securityholders other than Summit Partners, in form and substance satisfactory to counsel for the Underwriters, dated the Option Closing Date, to the same effect as the opinions required by Section 8(e).

(vi) The opinion of Latham & Watkins, counsel for the Underwriters, dated the Option Closing Date, relating to the Optional Stock and otherwise to the same effect as the opinion required by Section 8(f).

If any of the conditions hereinabove provided for in this Section shall not have been satisfied when and as required by this Agreement, this Agreement may be terminated by the Representatives by notifying the Company of such termination in writing or by telegram at or prior to the First Closing Date, but the Representatives shall be entitled to waive any of such conditions.

9. Termination. This Agreement may be terminated by the Representatives by notice to the Company and the Attorney-in-Fact for the Selling Securityholders if at or prior to the First Closing Date or the Option Closing Date, as the case may be, (i) trading in securities on the Nasdaq National Market System shall have been suspended or minimum or maximum prices shall have been established on such system, or a banking moratorium shall have been declared by New York or United States authorities; (ii) there shall have been any adverse change in the financial markets in the United States, Japan or Europe or any outbreak or escalation of hostilities between the United States and any foreign power, or of any other insurrection or armed conflict involving the United States that, in the judgment of the Representatives, makes it impracticable or inadvisable to offer, sell or deliver the Firm Stock or the Optional Stock as applicable, on the terms contemplated by the Prospectus or this Agreement; (iii) there shall have been since the execution of this Agreement or since the respective dates as of which information is given in the Prospectus any material adverse change in the condition (financial or otherwise), or business, prospects or results of operations of the Company and its subsidiaries and PA Contractors considered as a whole; (iv) there shall have been any material adverse development involving the business or properties or securities of the Company or any of its subsidiaries or PA Contractors or the transactions contemplated by this Agreement, which, in the judgment of the Representatives, makes it impracticable or inadvisable to offer, sell or deliver the Firm Stock or Option Stock, as applicable, on the terms contemplated by the Prospectus or this Agreement; or (v) if there shall be any litigation, pending or threatened, which, in the judgment of the Representatives, makes it impracticable or inadvisable to offer or deliver the Firm Stock or the Optional Stock, as applicable, on the terms contemplated by the Prospectus or this Agreement. As used in this Section 9, the term "Prospectus" means the Prospectus in the form first used to confirm sales of stock.

10. Reimbursement of Underwriters. Notwithstanding any other provisions hereof, if this Agreement shall be terminated by the Representatives under Section 8, Sections 9(iii), (iv) or (v) or Section 12, the Company will bear and pay the expenses specified in Section 5 hereof and, in addition to its obligation pursuant to Section 6, hereof, the Company will reimburse the reasonable out-of-pocket expense of the several Underwriters (including reasonable fees and disbursements of counsel for the Underwriters) incurred in connection with this Agreement and the proposed purchase of the Stock, and promptly upon demand the Company will pay such amounts to you as Representatives. In addition, the provisions of Section 6 shall survive any such termination.

11. Default by Underwriters. If any Underwriter or Underwriters shall default in its or their obligations to purchase shares of Stock hereunder on the First Closing Date or the Option Closing Date and the aggregate number of shares which such defaulting Underwriter or Underwriters agreed but failed to purchase does

not exceed 10% of the total number of shares which the Underwriters are obligated to purchase on such Closing Date, the other Underwriters shall be obligated severally, in proportion to their respective commitments hereunder, to purchase the shares which such defaulting Underwriter or Underwriters agreed but failed to purchase. If any Underwriter or Underwriters shall so default and the aggregate number of shares with respect to which such default or defaults occur is more than 10% of the total number of shares underwritten and arrangements satisfactory to the Representatives and the Company and the Selling Shareholders for the purchase of such shares by other persons are not made within 48 hours after such default, this Agreement shall terminate.

If the remaining Underwriters or substituted underwriters are required hereby or agree to take up all or a part of the shares of Stock of a defaulting Underwriter or Underwriters as provided in this Section 11, (i) the Company and the Selling Shareholders shall have the right to postpone the First Closing Date for a period of not more than five full business days, in order that the Company and the Selling Shareholders may effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees promptly to file any amendments to the Registration Statement or supplements to the Prospectus which may thereby be made necessary, and (ii) the respective numbers of shares to be purchased by the remaining Underwriters or substituted underwriters shall be taken as the basis of their underwriting obligation for all purposes of this Agreement. Nothing herein contained shall relieve any defaulting Underwriter of its liability to the Company, the Selling Shareholders or the other Underwriters for damages occasioned by its default hereunder. Any termination of this Agreement pursuant to this Section 11 shall be without liability on the part of any non-defaulting Underwriter, the Selling Shareholders or the Company, except for expenses to be paid or reimbursed pursuant to Section 5 and except for the provisions of Section 6.

12. Default By Selling Securityholders or the Company. If one or more of the Selling Securityholders shall fail at the First Closing Date to sell and deliver the number of shares of Firm Stock which such Selling Securityholders are obligated to sell hereunder, and the remaining Selling Securityholders do not exercise the right hereby granted to increase, pro rata or otherwise, the number of shares of Stock to be sold by them hereunder to the total number to be sold by all Selling Securityholders as set forth in Schedule B, then the Underwriters may at the option of the Representatives, by notice from the Representatives to the Company and the non-defaulting Selling Securityholders, either (a) terminate this Agreement without any liability on the part of any non-defaulting party or (b) elect to purchase the shares of Stock which this Company and the non-defaulting Selling Securityholders have agreed to sell hereunder; provided, however, that the Underwriters may not terminate this Agreement pursuant to clause (a) of this Section if the number of shares of Stock involved in that default does not exceed 10% of the total number of shares of Firm Stock.

In the event of a default by any Selling Securityholders pursuant to this Section, either the Representatives or the Company or the non-defaulting Selling Securityholders shall have the right to postpone the First Closing Date for a period not exceeding five full business days in order to effect any required changes in the Registration Statement or Prospectus or in any other document or arrangements.

If the Company shall fail at the First Closing Date to sell and deliver the number of shares of Stock which it is obligated to sell hereunder, then this Agreement shall terminate without any liability on the part of any non-defaulting party.

No action taken pursuant to this Section shall relieve the Company or any Selling Securityholders so defaulting from liability, if any, in respect of such default.

13. Notices. All communications hereunder shall be in writing and, if sent to the Underwriters shall be mailed, delivered or telegraphed and confirmed to you, as their Representatives c/o Dean Witter Reynolds Inc. at Two World Trade Center, 65th Floor, New York, New York 10048, except that notices given to an Underwriter pursuant to Section 6 hereof shall be sent to such Underwriter at the address furnished by the Representative(s) or, if sent to the Company or any of the Selling Securityholders, shall be mailed, delivered or telegraphed and

confirmed c/o Pediatrix Medical Group, Inc. at 1455 Northpark Drive, Ft. Lauderdale, Florida 33326; Attention: Roger Medel.

14. Successors. This Agreement shall inure to the benefit of and be binding upon the several Underwriters, the Company and the Selling Securityholders and their respective successors and legal representatives. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person other than the persons mentioned in the preceding sentence any legal or equitable right, remedy or claim under or in respect of this Agreement, or any provisions herein contained, this Agreement and all conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of such persons and for the benefit of no other person; except that the representations, warranties, covenants, agreements and indemnities of the Company and the Selling Securityholders contained in this Agreement shall also be for the benefit of the person or persons, if any, who control any Underwriter or Underwriters within the meaning of Section 15 of the Act, and the indemnities of the several Underwriters shall also be for the benefit of each director of the Company, each of its officers who has signed the Registration Statement and the person or persons, if any, who control the Company or any Selling Securityholder within the meaning of Section 15 of the Act.

15. Applicable Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS. The Company and the Selling Securityholders hereby consent to personal jurisdiction in the State of New York and voluntarily submit to the jurisdiction of the courts of such state, including the federal district courts located in such state, in any proceeding with respect to this Agreement.

16. Counterparts. This Agreement may be executed by one or more parties hereto in any number of counterparts each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

17. Authority of the Representatives. In connection with this Agreement, the Representatives will act for and on behalf of the several Underwriters, and any action taken under this Agreement by the Representatives jointly or by Dean Witter Reynolds Inc., as representatives of the several Underwriters, will be binding on all the Underwriters; and any action taken under this Agreement by any of the Attorneys-in-fact will be binding on all the Selling Securityholders.

Any person executing and delivering this Agreement as Attorney-in-fact for a Selling Securityholder represents by so doing that he has been duly appointed as Attorney-in-fact by such Selling Securityholder pursuant to a validly existing and binding Power of Attorney which authorizes such Attorney-in-fact to take such action.

If the foregoing correctly sets forth our understanding, please indicate your acceptance thereof in the space provided below for that purpose, whereupon this letter and your acceptance shall constitute a binding agreement between us.

Very truly yours,

PEDIATRIX MEDICAL GROUP, INC.

By:

Roger J. Medel
President and Chief Executive Officer

SELLING SECURITYHOLDERS LISTED IN
SCHEDULES B AND C

By:

Roger J. Medel
Attorney-in-fact

By:

Cathy J. Lerman
Attorney-in-fact

Acting on their own behalf and on behalf of
the Selling Securityholders listed in
Schedules B and C.

Accepted and delivered on and
as of the date first above written:

DEAN WITTER REYNOLDS INC.
ALEX. BROWN & SONS INCORPORATED
DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION
HAMBRECHT & QUIST LLC
SMITH BARNEY INC.

Acting on their own behalf and as
Representatives of the several Underwriters
referred to in the foregoing Agreement.

By DEAN WITTER REYNOLDS INC.

By:

Authorized Signature

SCHEDULE A

NAME	NUMBER OF SHARES OF COMMON STOCK TO BE PURCHASED
Dean Witter Reynolds Inc.	
Alex. Brown & Sons Inc.	
Donaldson, Lufkin & Jenrette Securities Corporation	
Hambrecht & Quist LLC	
Smith Barney Inc.	
TOTAL.....	5,000,000

SCHEDULE B

SELLING SECURITYHOLDER	NUMBER OF SHARES OF COMMON STOCK TO BE SOLD
Summit Investors II, L.P.	1,500,000
Summit Ventures III, L.P.	
K. Steven Haskins, M.D.	300,000
Stefan R. Maxwell, M.D.	300,000
Gregory Melnick, M.D.	300,000
_____ Melnick	
Brian D. Udell, M.D.	300,000
Carlos A. Perez, M.D.	300,000
Roger Medel, M.D.	500,000
Total	3,500,000

SCHEDULE C

OPTION SELLING SHAREHOLDERS	NUMBER OF SHARES OF OPTION STOCK TO BE SOLD
Summit Investors II, L.P....	500,000
Roger Medel, M.D.....	250,000
TOTAL.....	750,000

SCHEDULE D

SHAREHOLDER LOCKUP AGREEMENTS

Summit Investors II, L.P.
Summit Ventures III, L.P.
Roger J. Medel
Virginia B. Turnier
K. Steven Haskins
Stefan R. Maxwell
Gregory Melnick
_____ Melnick
Carlos A. Perez
Richard J. Stull
Lawrence M. Mullen
Cathy J. Lerman
Brian D. Udell
Fredrick V. Miller
E. Roe Stamps
Bruce R. Evans

5,000,000 SHARES

PEDIATRIX MEDICAL GROUP, INC.

COMMON STOCK

PRICING AGREEMENT

July __, 1996

DEAN WITTER REYNOLDS INC.
ALEX. BROWN & SONS INCORPORATED
DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION
HAMBRECHT & QUIST LLC
SMITH BARNEY INC.

As Representatives of the several Underwriters
c/o Dean Witter Reynolds Inc.
2 World Trade Center
65th Floor
New York, New York 10048

Dear Sirs:

Reference is made to the Underwriting Agreement, dated July __, 1996 (the "Underwriting Agreement"), relating to the purchase by the several Underwriters named in Schedule A thereto, for whom Dean Witter Reynolds Inc., Alex. Brown & Sons Incorporated, Donaldson, Lufkin & Jenrette Securities Corporation, Hambrecht & Quist LLC and Smith Barney Inc. are acting as representatives (the "Representatives"), of the above shares of Common Stock (the "Common Stock") of Pediatrix Medical Group, Inc. ("Company").

Pursuant to Section 3 of the Underwriting Agreement, the Company and each Selling Securityholder agree with each Underwriter as follows:

1. The initial public offering price per share for the Stock, determined as provided in Section 3, shall be $_____.

2. The purchase price per share for the Stock to be paid by the several Underwriters shall be $_____ (the "Purchase Price").

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart thereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the Underwriters, the Selling Securityholders and the Company in accordance with its terms.

Very truly yours,

PEDIATRIX MEDICAL GROUP, INC.

By:

Roger J. Medel
President and Chief Executive Officer

SELLING SECURITYHOLDERS LISTED IN SCHEDULES B AND C

By:

Roger J. Medel
Attorney-in-fact

By:

Cathy J. Lerman
Attorney-in-fact

Acting on their own behalf and on behalf of the Selling Securityholders listed in Schedules B and C.

Accepted and delivered on and as of the date first above written:

DEAN WITTER REYNOLDS INC.
ALEX. BROWN & SONS INCORPORATED
DONALDSON, LUFKIN & JENRETTE SECURITIES CORPORATION
HAMBRECHT & QUIST LLC
SMITH BARNEY INC.

Acting on their own behalf and as Representatives of the several Underwriters referred to in the foregoing Agreement.

By DEAN WITTER REYNOLDS INC.

By:

Authorized Signature

EXHIBIT 5.1

[LETTERHEAD]

July 22, 1996

Pediatrix Medical Group, Inc.

1455 Northpark Drive

Ft. Lauderdale, Florida 33326

RE: PUBLIC OFFERING OF COMMON STOCK

Ladies and Gentlemen:

On June 28, 1996, Pediatrix Medical Group, Inc., a Florida corporation (the "Company"), filed with the Securities and Exchange Commission a Registration Statement on Form S-1, Registration No. 333-07125 (the "Registration Statement"), under the Securities Act of 1933, as amended (the "Act"). The Registration Statement relates to the sale by the Company and certain selling shareholders (the "Selling Shareholders") of up to 1,500,000 and 3,500,000 shares, respectively, of the Company's Common Stock, par value $.01 per share (the "Shares"). We have acted as special counsel to the Company in connection with the preparation and filing of the Registration Statement. Defined terms used herein shall have the meanings attributed thereto in the Registration Statement.

In connection therewith, we have examined and relied upon the original or a copy, certified to our satisfaction, of (i) the Amended and Restated Articles of Incorporation and the Bylaws of the Company; (ii) actions of the Board of Directors of the Company authorizing the offering and the issuance of the Shares and related matters; (iii) the Registration Statement and exhibits thereto; and (iv) such other documents and instruments as we have deemed necessary for the expression of opinions herein contained. In making the foregoing examinations, we have assumed the genuineness of all signatures and the authenticity of all documents submitted to us as originals, and the conformity to original documents of all documents submitted to us as certified or photostatic copies. As to various questions of fact material to this opinion, we have relied, to the extent we deem reasonably appropriate, upon representations or certificates of officers or directors of the Company and upon documents, records and instruments furnished to us by the Company, without independently checking or verifying the accuracy of such documents, records and instruments.

Based upon the foregoing examination, we are of the opinion that (i) the Shares to be sold by the Company pursuant to the Registration Statement have been duly and validly authorized and, when issued and delivered in accordance with the Underwriting Agreement filed as Exhibit 1.1 to the Registration Statement will be validly issued, fully paid and nonassessable, and (ii) the Shares to be sold by the Selling Shareholders pursuant to the Registration Statement have been duly and validly authorized and issued and are fully paid and nonassessable.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name under the caption "Legal Matters" in the Prospectus forming a part of the Registration Statement. In giving such consent, we do no admit that we come within the category of persons whose consent is required by Section 7 of the Act or the rules and regulations of the Commission thereunder.

Sincerely,

GREENBERG, TRAURIG, HOFFMAN,

LIPOFF, ROSEN & QUENTEL, P.A.

EXHIBIT 10.25

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PEDIATRIX MEDICAL GROUP

FIRST AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of June 27, 1996

THE FIRST NATIONAL BANK OF BOSTON, Agent and Lender

SUNTRUST BANK/SOUTH FLORIDA, NATIONAL ASSOCIATION

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PEDIATRIX MEDICAL GROUP

AMENDED AND RESTATED
CREDIT AGREEMENT

This Agreement, dated as of June 27, 1996, 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 as Lender under the Revolving Loan, and 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. The parties agree as follows:

1. Definitions; 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.

1.1. "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.

1.2. "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.

1.3. "Affected Lender" is defined in Section 12.3.

1.4. "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.

1.5. "Agent" means Bank of Boston in its capacity as agent for the Lenders hereunder, as well as its successors and assigns in such capacity.

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

1.7. "Applicable Rate" means, at any date, the sum of:

(a) (i) with respect to each portion of the Loans subject to a Eurodollar Pricing Option, the sum of the 0.8750% plus the Eurodollar Rate with respect to such Eurodollar Pricing Option;

(ii) with respect to each portion of the Mortgage Loan subject to the Fixed Rate Option, the sum of 1.25% plus the Bank of Boston's cost of funds as determined on two Banking Days prior to the Closing Date on the Mortgage Loan;

(iii) with respect to each other portion of the Loans, the Base Rate;

plus (b) an additional 4% 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.

1.8. "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.

1.9. "Acquisition Agreement" means the documentation pursuant to which any Borrower commits itself to make a Permitted Acquisition.

1.10. "Assignee" is defined in Section 12.11.

1.11. "Assignment and Acceptance" is defined in Section 12.1.1.

1.12. "Bank of Boston" means The First National Bank of Boston.

1.13. "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.

1.14. "Bankruptcy Code" means Title 11 of the United States Code.

1.15. "Bankruptcy Default" means an Event of Default referred to in Section 8.1.10.

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

1.17. "Borrowers" means, collectively, the Company, its Related Entities and such other Related Entities as shall become Borrowers hereunder in accordance with Section 5.2.2.

1.18. "Boston Office" means the principal banking office of Bank of Boston in Boston, Massachusetts.

1.19. "By-laws" means all written by-laws, 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.

1.20. "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).

1.21. "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.

1.22. "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.

1.23. "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.

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

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

1.26. "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.

1.27. "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.

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

1.29. "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.

1.30. "Company" means Pediatrix Medical Group, Inc., a Florida corporation.

1.31. "Computation Covenants" means Sections 6.5, 6.6.7, 6.9.4, 6.10, 6.11, 6.12 and 6.13.

1.32. "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.

1.33. "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.

1.34. "Consolidated Fixed Charges" means, for any period, the sum of:

(a) the aggregate amount of interest, including payments in the nature of interest under Capitalized Leases and Interest Rate Protection Agreements, paid or accrued by the Company and its Related Entities (whether such interest is reflected as an item of expense or capitalized) in accordance with GAAP on a consolidated basis;

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;

plus (d) $3,000,000.

1.35. "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.

1.36. "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.

1.37. "Consolidated Tangible Net Worth" means, at any date, the excess of the total tangible assets of the Company and its Related Entities over the Total Liabilities of the Company and its Related Entities. Total tangible assets shall mean total assets of the Company and its Related Entities as determined in accordance with GAAP, excluding, however:

(i) all loans to any Related Entity, employee, officer or other Affiliate of the Company, and all amounts payable to the Company from any of such Persons,

(ii) all assets which would be classified as intangible assets under GAAP, including goodwill (whether representing the excess of cost over book value of assets acquired or otherwise), patents, trademarks, trade names, copyrights, franchise and deferred charges (including unamortized debt discount and expense, organization cost and research and development costs), and

(iii) minority interests in other Persons.

1.38. "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.

1.39. "Credit Documents" means:

(a) this Agreement, the Revolving Notes, the Mortgage Note and the Mortgage, each as from time to time in effect;

(b) 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.

1.40. "Credit Obligation Advance" is defined in Section 2.1.3.

1.41. "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, commitment fees, amounts provided for in Sections 3.2.4, 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).

1.42. "Credit Participant" is defined in Section 12.2.

1.43. "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 this Agreement or any other Credit Document) to secure the payment or performance of any of the Credit Obligations.

1.44. "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.

1.45. "Delinquency Period" is defined in Section 11.4.3.

1.46. "Delinquent Lender" is defined in Section 11.4.3.

1.47. "Delinquent Payment" is defined in Section 11.4.3.

1.48. "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).

1.49. "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.

1.50. "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.

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

1.52. "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.

1.53. "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 Loans 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).

1.54. "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.

1.55. "Eurodollar Office" means such non-United States office or international banking facility of the Agent as the Agent may from time to time select.

1.56. "Eurodollar Pricing Options" means the options granted pursuant to Section 3.2.1 to have the interest on any portion of either Loan computed on the basis of a Eurodollar Rate.

1.57. "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.

1.58. "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 Loans subject to Eurodollar Pricing Options is determined, (c) the principal amount of or interest on any portion of the Loans 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.

1.59. "Event of Default" is defined in Section 8.1.

1.60. "Exchange Act" means the federal Securities Exchange Act of 1934.

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

1.62. "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.

1.63. "Final Maturity Date" means (i) with respect to the Revolving Loan, June 30, 1999 and (ii) with respect to the Mortgage Loan, June 30, 2003.

1.64. "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).

1.65. "Financing Debt" means each of the items described in clauses (a) through (e) of the definition of the term "Indebtedness".

1.66. "Fixed Rate Option" means the options granted pursuant to Section 3.3 to have the interest on any portion of the Mortgage Loan computed on the basis of the Bank of Boston's cost of funds on two Banking Days prior to the Closing Date on the Mortgage Loan.

1.67. "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 Loans subject to a Eurodollar Pricing Option, and (b) any portion of the Loans 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.

1.68. "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.

1.69. "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).

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

1.71. "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.

1.72. "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.

1.73. "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.

1.74. "Indemnified Party" is defined in Section 10.2.

1.75. "Initial Closing Date" means the first date on or prior to June 27, 1996 on which all the conditions set forth in Section 5.1 and 5.3 have been satisfied.

1.76. "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.

1.77. "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.

1.78. "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.

1.79. "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.

1.80. "Lender" means each of the Persons listed as lenders on the signature page hereto, including Bank of Boston 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.

1.81. "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.

1.82. "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.

1.83. "Loans" means the Mortgage Loan and the Revolving Loan, collectively.

1.84. "Loan Accounts" is defined in Section 2.1.4.

1.85. "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.

1.86. "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.

1.87. "Material Agreements" is defined in Section 7.2.2.

1.88. "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.

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

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

1.91. "Mortgage Loan" has the meaning provided in Section 2.2.1.

1.92. "Mortgage Note" has the meaning provided in Section 2.2.2.

1.93. "Multiemployer Plan" means any Plan tha is a "multiemployer plan" as defined in section 4001(a)(3) of ERISA.

1.94. "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 March 31, 1996;

(c) extraordinary and nonrecurring gains; and

(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 By-law restriction, any agreement, instrument, deed or lease or any law, statute, judgment, decree or governmental order, rule or regulation applicable to such Subsidiary.

1.95. "Nonperforming Lender" is defined in Section 11.4.3.

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

1.97. "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.

1.98. "Overdue Reimbursement Rate" means, at any date, the highest Applicable Rate then in effect.

1.99. "Payment Date" means the first Banking Day of each quarter, commencing with the first such date after the Initial Closing Date.

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

1.101. "Percentage Interest" is defined in Section 11.1.

1.102. "Performing Lender" is defined in Section 11.4.3.

1.103. "Permitted Acquisition" means an Investment by any Borrower permitted under Section 6.9.4.

1.104. "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.

1.105. "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.

1.106. "Pro Forma Gross Profit" 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.

1.107. "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.

1.108. "RCRA" means the federal Resource Conservation and Recovery Act, 42 U.S.C. Section 690, et seq.

1.109. "Register" is defined in Section 13.

1.110. "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.

1.111. "Related Entities Total Liabilities" means, at any date, all Indebtedness of the Company and its Subsidiaries on a Consolidated basis.

1.112. "Replacement Lender" is defined in Section 12.3.

1.113. "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.

1.114. "Revolving Loan" is defined in Section 2.1.4

1.115. "Revolving Notes" is defined in Section 2.1.4.

1.116. "Securities Act" means the federal Securities Act of 1933.

1.117. "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.

1.118. "Specified Insurance Reserve Amount" means $2,000,000 or such other amount specified by the Company by notice to the Agent.

1.119. "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.

1.120. "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.

1.121. "Total Liabilities" means, at any date, all Indebtedness of the Company and its Related Entities.

1.122. "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) $30,000,000 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 $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 5.3.1.

Notwithstanding anything contained in this Agreement, (i) Bank of Boston 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 either the Revolving Loan or the Mortgage 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 a separate note of such Borrower in substantially the form of 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. The Mortgage Credit.

2.2.1. Mortgage Loan. Subject to all the terms and conditions of this Agreement and so long as no Default exists, on the Initial Closing Date, Bank of Boston will make a term loan to the Company, in an aggregate principal amount equal to $3,000,000. The aggregate principal amount of the loan made pursuant to this Section 2.2.1 at any one time outstanding is referred to as the "Mortgage Loan."

2.2.2. Mortgage Loan. Subject to all the terms andage Note. The Mortgage Loan will be made by depositing the amount thereof to the general account of the Company with Bank of Boston. The Mortgage Loan shall be evidenced by a note in substantially the form of Exhibit 2.2.2 (the "Mortgage Note") payable by the Company to Bank of Boston. Bank of Boston

shall keep a record of the date and amount of (i) the term loan made by the Bank of Boston 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, Bank of Boston shall endorse on a schedule thereto appropriate notations evidencing such dates and amounts; provided, however, that the failure of Bank of Boston 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.

2.3. Application of Proceeds.

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, provided, however, proceeds from the Revolving Loan used for purposes other than funding Permitted Acquisitions may never exceed 15% of the Maximum Amount of Revolving Credit, minus the Specified Insurance Reserve Amount.

2.3.2. 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. 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 2.4 shall not affect the rights of the Borrowers against any Lender failing to perform its obligations hereunder.

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, and the Company will pay the accrued and unpaid interest on the portion of the Mortgage Loan, which portions were not subject to a Eurodollar Pricing Option. 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, and the Company will pay the accrued and unpaid interest on the portion of the Mortgage Loan, which portions were subject to the Eurodollar Pricing Option 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, and the Company will pay the accrued and unpaid interest on the portion of the Mortgage Loan, 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, and the Company will pay the accrued and unpaid interest on the portion of the Mortgage Loan, including any accrued and unpaid interest on any portion of such Loans which is subject to a Eurodollar Pricing Option. 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 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 Loans 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 Loans 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 Loans 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 Loans 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 Loans 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 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 interbank Eurodollar market any portion of the 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 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 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 Loans subject to a Eurodollar Pricing Option, however, all amounts payable hereunder, including the interest rate applicable to any such portion of the Loans and the amounts payable under Sections 3.2.4, 3.6, 3.7, 3.8 and 3.9, shall be computed as if each Lender had actually funded such Lender's Percentage Interest in such portion of the Loans (or such portion of the Mortgage Loan) 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. Fixed Rate Option. Subject to all of the terms and conditions hereof and so long as no Default exists, the Borrowers may, by irrevocable notice to the Agent actually received not less than one Banking Day prior to the Closing Date on the Mortgage Loan, elect to have such portion of the Mortgage Loan as the Borrowers may specify in such notice accrue

and bear interest at the Applicable Rate computed on the basis of the Bank of Boston's cost of funds.

3.4. Commitment Fees. In consideration of the Lenders' commitments to make the extensions of credit provided for in Section 2.1, while such commitments are outstanding, the Borrowers will pay to the Agent for the account of the Lenders in accordance with the Lenders' respective Percentage Interests in the Revolving Loan, on the first Banking Day of each fiscal quarter, an amount equal to interest computed at the rate of 0.15% per annum 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; 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.

3.5. 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 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 to any 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 3.7, 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 (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, 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 minus the Specified Insurance Reserve Amount, 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 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.

4.2. Payment of Mortgage Loan.

4.2.1. Payment at Maturity. On the stated or any accelerated maturity of the Mortgage Note, the Company will pay to Bank of Boston 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.

4.2.2. 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.

4.2.3. Voluntary Prepayments of the Mortgage Loan. In addition to the prepayments required by Section 4.2.2, the Company may from time to time prepay all or any portion of the Mortgage Loan, other than portions subject to the Fixed Rate Option, 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 4.2.2 and any such voluntary prepayment shall be applied to the payments required by Section 4.2.2 in the inverse order of maturity.

4.2.4. 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. Each Borrower shall have duly executed and delivered to the Agent a Revolving Note for each Lender.

5.1.2. Legal Opinion. On the Initial Closing Date, the Lenders shall have received from Greenberg Traurig Hoffman Lipoff Rosen & Quentel, P.A., counsel for the Borrowers, their opinion with respect to the transactions contemplated by the Credit Documents, which opinion shall be in form and substance satisfactory to the Required Lenders.

The Borrowers authorize and direct their counsel to furnish the foregoing opinions.

5.1.3. Payment of Fee. The Borrowers shall have paid a facility fee of $75,000 to the Agent for the accounts of the Lenders in accordance with their respective Percentage Interests in the Revolving Loan.

5.1.4. Forms of Acquisition Documents. The Company shall have delivered to the Agent proposed forms of Acquisition Agreement, Employment Agreement and such other form agreements as the Company will use in connection with Permitted Acquisitions.

5.1.5. Offering Documents. The Company shall have delivered to the Agent copies of any offering memoranda or other similar documents used in connection with the offering of any ownership interests in the Company.

5.2. Conditions to Mortgage Loan. The obligation of the Lenders to make the Mortgage Loan pursuant to Section 2.2 shall be subject to the satisfaction on or before July 31, 1996, of the conditions set forth in this Section 5.2 as well as the further conditions in Section 5.4. If the conditions set forth in this Section 5.2 are not met on or prior to July 31, 1996, the Lenders will have no obligation to make any extension of credit under the Mortgage Loan.

5.2.1. Mortgage Note. The Company shall have executed and delivered the Mortgage Note.

5.2.2. Mortgage. The Company shall have executed and delivered the Mortgage.

5.2.3. Title Insurance. The Company shall have obtained at its sole cost and expense title insurance reasonably satisfactory to the Agent covering the premises subject to the Mortgage.

5.2.4. Payment of Fee. The Company shall have paid a facility fee of $15,000 to the Agent for the accounts of the Lenders in accordance with their respective Percentage Interests in the Mortgage Loan.

5.2.5. Environmental Audit. The Company shall have delivered to the Agent an environmental audit of the premises subject to the Mortgage, from a reputable environmental consultant, in form and substance reasonably satisfactory to the Agent, which audit indicates that (i) neither the property nor any existing improvements thereof have been or are presently being used for the handling, storage, transportation or disposal of hazardous or toxic materials, (ii) no asbestos materials exist on the

premises, and (iii) there has been no discharge of hazardous or toxic materials on or from the premises.

5.2.6. Insurance Policies. The Company shall have with financially sound and reputable insurers, reasonably acceptable 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, and all such policies shall provide for at least 30 days prior written notice to the Agent of the cancellation, expiration or substantial modification thereby. All hazard policies relating to the premises covered by the Mortgage must name Bank of Boston and its successors and assigns as first mortgagee.

5.3. Conditions to Making Each Permitted Acquisition Advance. The Lenders' several obligations to make any loan contemplated by Section 2.1 or 2.2, 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) 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 5.1 (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.

(b) 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.

(c) 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.

(d) 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.

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

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

(g) 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.

5.3.3. Legal Opinions. On the date of such Permitted Acquisition, the Lenders shall have received from counsel reasonably satisfactory to the Agent (a) an opinion with respect to the addition of the Acquired Party as a Borrower and a Guarantor under this Agreement and the other Credit Documents and (b) an opinion with respect to the transactions contemplated by the Acquisition Agreement, which opinions shall be in a form and substance satisfactory to the Agent.

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, 1995; 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 By-Laws 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 providing medical 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 Bank of Boston 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. Each of the Borrowers shall maintain a system of accounting in which correct entries shall be made of all transactions in relation to their 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 Borrowers 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 sheets of the Borrowers and their respective Subsidiaries as at the end of such fiscal year, the Consolidated statements of income and Consolidated statements of changes in shareholders' equity and of cash flows of the Borrowers and their respective 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 Coopers & Lybrand (or, if they cease to act as auditors of the Borrowers, 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 Borrowers and their respective 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 Borrowers and their respective 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 Borrowers 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 Borrowers, the internally prepared Consolidated balance sheets of the Borrowers and their respective 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

(i) to the effect that such financial statements have been prepared in accordance with GAAP and present fairly, in all material respects, the financial position of the Borrowers and their respective Subsidiaries covered thereby at the dates thereof and the results of their operations for the periods covered thereby, subject only to normal year-end audit adjustments and the addition of footnotes;

(ii) 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 the Company has taken, is taking or proposes to take with respect thereto; and

(iii) including a schedule of computations by the Company demonstrating, as of the end of such quarter, compliance with the Computation Covenants.

(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 (a) such information regarding the Tax Assessment disclosed on Schedule 7.11 as such officer may request and (b) and if such Tax Assessment has not been resolved by the second anniversary of the Initial Closing Date, the Borrower shall furnish to the Lenders a written statement of their intentions regarding how they plan to dispose of the Tax Assessment, and such other 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. Total Liabilities to Consolidated Net Worth. The Company and its Related Entities will at all times maintain the ratio of Total Liabilities to Consolidated Net Worth of not more than 0.75 to 1.0.

6.5.2. Total Liabilities to Consolidated Tangible Net Worth. The Borrower and its Related Entities will at all times maintain the ratio of Total Liabilities to Consolidated Tangible Net Worth of not more than 3.0 to 1.0.

6.5.3. 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 130% of Consolidated Fixed Charges for the period of four consecutive fiscal quarters then ended.

6.5.4. Consolidated Net Worth. On the last day of each fiscal quarter, the Consolidated Net Worth shall equal at least $55,000,000, plus 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.

6.5.5. Total Liabilities. At all times, Total Liabilities incurred after the Initial Closing Date other than the Credit Obligations and up to $4.5 million liabilities arising form matters disclosed on Exhibit 7.11 shall be less than or equal to $5,000,000.

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 Indebtedness.

6.6.12. 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.

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. Capitalized Lease Obligations incurred after the Initial Closing Date and purchase money security interests in or purchase money mortgages on real or personal property acquired after the Initial Closing Date to secure purchase money Indebtedness to the extent permitted by Section 6.5.5 incurred in connection with the acquisition of such property, which security interests or mortgages cover only the real or personal property so acquired and proceeds thereof and reasonable attachments and accessories thereto.

6.8.8. 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. Intercompany 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) immediately before and after giving effect to such acquisition, no Default shall exist; and

(b) either (i) proceeds from the Loans are not being used to fund such acquisition and the Purchase Price for such acquisition does not exceed $10,000,000 or (ii) such acquisition is being funded with proceeds of the Loans and the Purchase Price for such acquisition does not exceed the lesser of $10,000,000 or five times the Pro Forma Gross Profit of such Person (which calculation shall be reasonably satisfactory to the Agent), unless the terms and the documentation relating to such acquisition is satisfactory to the Required Lenders.

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 $2,000,000.

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 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.

6.11. Capital Expenditures. None of the Borrowers will make Capital Expenditures exceeding $2,000,000 in the aggregate in any fiscal year provided, however, that during fiscal

1996 the Company may make additional Capital Expenditures in respect of a new office building to be constructed on the property subject to the Mortgage so long as such additional Capital Expenditures do not exceed $3,000,000 in the aggregate.

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.

6.13. 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. In addition, the Company has all corporate power and authority necessary to grant Bank of Boston a security interest in the real property owned by it to secure the Mortgage. Certified copies of the Charter and By-laws 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. 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, 1995 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, 1996 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, 1995 no Material Adverse Change has occurred and between December 31, 1995 and the date hereof, except as set forth in Exhibit 7.3, none of the Obligors has entered into any material transaction outside the

rdinary 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, By-law, 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, or (b) 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. Section 1320a-7b, the Ethics in Patient Referrals Act (the "Stark Law") 42 U.S.C. Section 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 four or more of the following offices of the Company: Chief Operating Officer; Chief Financial Officer; General Counsel; Vice President, Business Development; Vice President, Practice Integration; Chief Medical Officer; or Chief Information Officer, or (b) Dr. Roger J. Medel (i) ceasing at any time to serve as President and 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, and thereupon such unpaid balance or part thereof 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. 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 Notes 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 Notes 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 5.2.2. 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, up to $15,000) 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.

11. Operations; Agent.

11.1. Interests in Credits. The percentage interest of each Lender in the Revolving Loan and Mortgage Loan, and the related Commitments, shall be computed based on the maximum principal amount for each Lender as follows:

Lender	Maximum Principle Amount of Revolving Loan	Percentage Interest of Revolving Loan	Principle of Mortgage Loan	Percentage Interest of Mortgage Loan
The First National Bank of Boston	$15,000,000	50%	$3,000,000	100%
SunTrust/South Florida	$15,000,000	50%	$ 0	0%
Total	$30,000,000	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 Bank of Boston 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 Bank of Boston 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, 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. Agent to Allocate Payments, etc. All payments of principal and interest in respect of the extensions of credit made pursuant to this Agreement, commitment 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.

11.4.3. 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 Nonperforming 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 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 (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 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 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. 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 12.5 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):

(i) No reduction shall be made in (A) the amount of principal of the Revolving Loan, (B) the interest rate on the Revolving Loan or (C) the commitment fees.

(ii) No change shall be made in the stated time of payment of all or any portion of the Revolving Loan or interest thereon or reimbursement of payments made under Letters of Credit or fees relating to any of the foregoing payable to all of the Lenders and no waiver shall be made of any Default under Section 8.1.1.

(iii) No increase shall be made in the amount, or extension of the term, of the Commitments beyond that provided for under Section 2.

(iv) No alteration shall be made of the Lenders' rights of set-off contained in Section 8.2.4.

(v) No release of any Guarantor shall be made (except that the Agent may release particular Guarantors in dispositions permitted by Section 6.12 without the written consent of the Lenders).

(vi) No amendment to or modification of this Section 11.6(b) or of the definition of Required Lenders shall be made.

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/South Florida, National Association 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, Bank of Boston 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, Bank of Boston 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 Bank of Boston shall be included in any computations of Percentage Interests. Bank of Boston 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 Bank of Boston 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 Borrowers 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 Borrowers (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 and the Mortgage Loan, of its Commitment, the portion of the Revolving Loan and Mortgage Loan at the time owing to it and the Revolving Notes held by it:

(i) the aggregate amount of the Commitment of the assigning Lender subject to each such assignment to any Assignee other than another Lender (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Agent) shall be not less than $5,000,000 and in increments of $1,000,000;

(ii) the parties to each such assignment shall execute and deliver to the Agent an Assignment and Acceptance (the "Assignment and Acceptance") substantially in the form of Exhibit 12.1.1, together with the Note subject to such assignment and a processing and recordation fee of $3,000 payable to the Agent by the assigning Lender or the Assignee; and

(iii) no Lender shall assign all or any portion of its Commitment to an Assignee that is not incorporated or organized under the laws of the United States of America or a state thereof.

Upon acceptance and recording pursuant to Section 12.1.4, from and after the effective date specified in each Assignment and Acceptance (which effective date shall be at least five Banking Days after the execution thereof unless waived by the Agent):

(A) the Assignee shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement and

(B) the assigning Lender shall, to the extent provided in such assignment, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 3.2.4, 3.6, 3.7, 3.8, 3.9 and 10, as well as to any fees accrued for its account hereunder and not yet paid).

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 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 and Letter of Credit Exposure owing to it 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 and 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 12.5 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 3.6, the Tax provisions of Section 3.7, the capital adequacy provisions of Section 3.8 or the regulatory change provisions in Section 3.9 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 Lender's Percentage Interest in the Revolving Loan and Letter of Credit Exposure, or appropriate credit support for contingent amounts included therein, and all other outstanding 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, with a copy to:

Summit Partners, L.P.
600 Atlantic Avenue, Suite 2800
Boston, MA 02110
Attn: Bruce R. Evans

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 18 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 18 with its counsel. Any Lender, the Agent, any Borrower or any other Obligor may file an original counterpart or a copy of this Section 18 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.

By _____
Title:

PEDIATRIX MEDICAL GROUP OF FLORIDA, INC.

By _____
Title:

PEDIATRIX MEDICAL GROUP, P.C.

By _____
Title:

PEDIATRIX MEDICAL GROUP, P.C.

By _____
Title:

PEDIATRIX MEDICAL GROUP, S.P.

By _____
Title:

PEDIATRIX MEDICAL GROUP, P.A.

By _____
Title:

PEDIATRIX MEDICAL GROUP OF KANSAS, P.A.

By _____
Title:

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

By _____
Title:

PEDIATRIX MEDICAL GROUP OF
CALIFORNIA, P.C.

By _____
Title:

PEDIATRIX MEDICAL GROUP OF ILLINOIS,
P.C.

By _____
Title:

PEDIATRIX MEDICAL GROUP OF MICHIGAN,
P.C.

By _____
Title:

PEDIATRIX MEDICAL GROUP OF
PENNSYLVANIA, P.C.

By _____
Title:

PEDIATRIX MEDICAL GROUP OF TEXAS, P.A.

By _____
Title:

PEDIATRIX MEDICAL GROUP OF OHIO CORP.

By _____
Title:

NEONATAL SPECIALISTS, LTD.

By _____
Title:

PEDIATRIX MEDICAL GROUP OF
COLORADO, P.C.

By _____
Title:

THE FIRST NATIONAL BANK OF BOSTON

By _____
Gregory G. O'Brien
Managing Director

The First National Bank of Boston
New England Corporate Banking
100 Federal Street
Boston, Massachusetts 02110
Telecopy: (617) 434-1279
Telex: 940581

SUNTRUST BANK/SOUTH FLORIDA,
NATIONAL ASSOCIATION

By _____
Jeffrey R. Dickson
First Vice President

SunTrust Bank/South Florida, National Association 501 E. Las Olas Boulevard 7th Floor Fort Lauderdale, Florida 33301
Telecopy (954) 765-7240

EXHIBIT 10.26

PREPARED BY AND RETURN TO:
Carl V. Romano, Esq.
Akerman, Senterfitt & Eidson, P.A.
Phillips Point-East Tower
Suite 900
777 S. Flagler Drive
West Palm Beach, FL 33401

MODIFICATION OF MORTGAGE

THIS AGREEMENT (the "Agreement") made as of this _____ day of June, 1996, by and between THE FIRST NATIONAL BANK OF BOSTON, a national banking association (hereinafter referred to as "Mortgagee"), and PEDIATRIX MEDICAL GROUP, INC., a Florida corporation (hereinafter referred to as "Mortgagor").

W I T N E S S E T H:

WHEREAS, Mortgagee is the owner and holder of that certain Mortgage, Security Agreement and Assignment of Leases and Rents from Mortgagor dated September 30, 1993, and recorded on October 5, 1993, in Official Records Book 21215, Page 380, and re-recorded in Official Records Book 21421, Page 520, of the Public Records of Broward County, Florida (hereinafter referred to as the "Existing Mortgage" and the Existing Mortgage as modified by this Agreement shall be hereinafter referred to as the "Mortgage); and

WHEREAS, the Existing Mortgage encumbers certain real property in Broward County, Florida (the "Mortgaged Property") more particularly described in the Existing Mortgage; and

WHEREAS, the Existing Mortgage secures that certain promissory note executed by Mortgagor in favor of Mortgagee, dated September 30, 1993, in the original principal amount of Nine Hundred Sixty Thousand and no/100 Dollars ($960,000.00) (the "Existing Note") and other indebtedness owed by Mortgagor to Mortgagee pursuant to that certain Credit Agreement dated September 30, 1993 (the "Credit Agreement"); and

WHEREAS, pursuant to the Credit Agreement, as amended by that certain Amendment No. 1 of same date (the "First Amendment"), Mortgagee agreed to make revolving credit loans to Mortgagor in an aggregate amount not to exceed Four Million and no/100 Dollars ($4,000,000.00) and a mortgage loan not to exceed Nine Hundred Sixty Thousand and no/100 Dollars ($960,000.00); and

WHEREAS, on September 26, 1994, Mortgagor and Mortgagee entered into that certain Amendment No. 2 to the Credit Agreement (the "Second Amendment") whereby Mortgagee agreed to increase the aggregate principal amount of the revolving credit loans to Mortgagor to an amount equal to the lesser of (a) Seven Million and no/100 Dollars ($7,000,000.00) or (b) such amount (in a minimum amount of Fifty Thousand and no/100 Dollars ($50,000.00) and in integral

multiples of Ten Thousand and no/100 Dollars ($10,000.00)) specified by irrevocable notice from the Mortgagor to the Mortgagee; and

WHEREAS, on June 19, 1995, Mortgagor and Mortgagee entered into that certain Amendment No. 3 to the Credit Agreement (the "Third Amendment") which amended the terms of the Credit Agreement as more particularly set forth and described in the Third Amendment; and

WHEREAS, on December 30, 1995, Mortgagor and Mortgagee entered into that certain Amendment No. 4 to the Credit Agreement (the "Fourth Amendment"), which amended the terms of the Credit Agreement as more particularly set forth and described in the Fourth Amendment; and

WHEREAS, on even date herewith Mortgagor and Mortgagee entered into that certain Amended and Restated Credit Agreement (the "Restated Agreement") whereby Mortgagee agreed to loan Mortgagor Two Million Two Hundred Thousand Three Hundred Twenty and no/100 Dollars ($2,200,320.00) (the "New Loan"); and

WHEREAS, the First Amendment, Second Amendment, Third Amendment, Fourth Amendment and Restated Agreement shall be hereinafter collectively referred to as the "Credit Agreements"; and

WHEREAS, in order to evidenced the New Loan, on even date herewith, Mortgagor executed and delivered to Mortgagee a Promissory Note, in the outstanding principal amount of Two Million Two Hundred Thousand Three Hundred Twenty and no/100 Dollars ($2,200,320.00)(hereinafter referred to as the "New Note"); and

WHEREAS, pursuant to the Restated Agreement, Mortgagee, as a condition to make the New Loan, has required that Mortgagor pledge additional collateral; and

WHEREAS, Mortgagor desires that the real property more particularly described on Exhibit "A" attached hereto and made a part hereof (the "New Property") serve as additional collateral to secure the New Loan and that the definition and description of "Property" as contained in paragraph 2 and Exhibit "A" of the Existing Mortgage be modified to include the New Property; and

WHEREAS, on even date herewith, Mortgagor executed and delivered to Mortgagee a Consolidated Promissory Note in the outstanding principal amount of Three Million and no/100 Dollars ($3,000,000.00) (hereinafter referred to as the "Consolidated Note"), which consolidates the outstanding principal balances of the Existing Note and the New Note (the Existing Note and the New Note, as consolidated by the Consolidated Note, shall be hereinafter collectively referred to as the "Notes"); and

WHEREAS, the Consolidated Note shall be secured by the Mortgage and the New Note and Consolidated Note shall be payable at the time, in the manner and at such interest rates as

more particularly described in the Restated Amendment, as modified by this Agreement; and

WHEREAS, pursuant to paragraph 11.7 of the Existing Mortgage, the maximum recovery under the Existing Mortgage is limited to One Million Five Hundred Thousand and no/100 Dollars ($1,500,000.00); and

WHEREAS, it is also the intent and desire of Mortgagee to increase the maximum recovery under the Existing Mortgage, as modified herein, to Three Million and no/100 Dollars ($3,000,000.00) and to modify paragraph 11.7 of the Existing Mortgage accordingly.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, as well as the payment of the sum of Ten and no/100 Dollars ($10.00) from each to the other and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto for themselves, their successors and assigns hereby mutually covenant and agree as follows:

The foregoing recitations are true and correct and comprise a part of this Agreement.

The Notes are secured by the Mortgage and any agreements given by Mortgagor in connection with the loan from Mortgagee to Mortgagor (collectively, with the Credit Agreements, the "Loan Documents").

The New Property shall serve as additional collateral for the New Loan and the definition and description of "Property" as contained in paragraph 2 and Exhibit "A" of the Existing Mortgage is hereby modified to include the New Property.

The maximum recovery under the Existing Mortgage, as set forth in paragraph 11.7 and on the first page of the Existing Mortgage is hereby increased to the sum of Three Million and no/100 Dollars ($3,000,000.00).

Mortgagor acknowledges that the Loan Documents continue in full force and effect and that they shall continue to secure payment of all amounts due under and the performance of all obligations of Mortgagor under, the Notes, the Mortgage and any other Loan Documents.

Mortgagor acknowledges and agrees that the principal sum of debt evidenced by the Existing Note on the date hereof is Seven Hundred Ninety-Nine Thousand Six Hundred Eighty and no/100 Dollars ($799,680.00), the principal sum of debt evidenced by the New Note is Two Million Two Hundred Thousand Three Hundred Twenty and no/100 Dollars ($2,200,320.00), for an aggregate of Three Million and no/100 Dollars ($3,000,000.00), which is evidenced by the Consolidated Note and secured by the Mortgage. This is the just and true debt of Mortgagor owed to Mortgagee and Mortgagor claims no right of offset, defense or counterclaim against Mortgagee or such debt.

Mortgagor agrees to pay any and all documentary stamp tax, intangible tax or other similar taxes levied against the Notes, if any, including, without limitation, any and all interest

or penalties assessed thereon, and further agrees to indemnify and hold harmless Mortgagee from and against any and all loss, cost, expense or liability, including, without limitation, attorneys' fees and costs, suffered or incurred by Mortgagee by reason of the levy, assessment or assertion of such taxes, penalties or interest.

Mortgagor further warrants and represents that the Notes and the Mortgage are in good standing and free from default and that no event has occurred or failed to occur which, with the giving of notice or the passage of time or both, would comprise such a default.

A default in performance by Mortgagor of any of its obligations under the Consolidated Note, or any instrument given to evidence or secure any loans from Mortgagee to Mortgagor, shall constitute a default as to all of said obligations and in the event of any such default, Mortgagee shall have the right to immediately enforce any and all remedies provided in the Consolidated Note or in the Mortgage or other Loan Documents given to evidence or secure any such loans.

Mortgagee and Mortgagor hereby agree that, in consideration of the recitals and mutual covenants contained herein, and for other good and valuable consideration, as amended, the receipt and sufficiency of which are hereby acknowledged, in the event Mortgagor shall (i) file with any bankruptcy court of competent jurisdiction or be the subject of any petition under Title 11 of the U.S. Code, as amended, (ii) be the subject of any order for relief issued under such Title 11 of the U.S. Code, as amended, (iii) file or be the subject of any petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any present or future federal or state act or law relating to bankruptcy or insolvency, (iv) have sought, consented to or acquiesced in the appointment of any trustee, receiver, conservator, or liquidator, (v) be the subject of any order, judgment, or decree entered by any court of competent jurisdiction approving a petition filed against such party for any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any present or future federal or state act or law relating to bankruptcy, insolvency, or relief for debtors, Mortgagee shall thereupon be entitled to relief from any automatic stay imposed by Section 362 of Title 11 of the U.S. Code, as amended, or otherwise, on or against the exercise of the rights and remedies otherwise available to Mortgagee as provided in the Mortgage, Notes or any other documents given in connection with the Notes and as otherwise provided by law against the Mortgaged Property and other assets on which Mortgagee currently has a lien under the Mortgage and the other documents given in connection with the Mortgage and this Agreement.

Except as provided herein, Mortgagee and Mortgagor hereby agree and acknowledge that nothing herein contained shall in any manner affect, alter, change, or impair the rights, remedies and security of the Mortgagee as provided in the Mortgage or any of the Loan Documents. It is the intent of the parties hereto that this Agreement shall not constitute a novation and shall, in no way, adversely affect the lien of the Mortgage and in the event that this Agreement, or any part hereof, shall be construed by a court of competent jurisdiction as operating to affect the lien priority of the Mortgage over the claims which would otherwise be subordinate thereto, and upon any such ruling not being appealed or not being appealable, then to the extent that third persons acquiring an interest in the Mortgaged Property between the time

of execution of the Mortgage and the execution hereof are prejudiced thereby, this Agreement, or such portion hereof as shall be so construed to affect the lien of the Mortgage shall be void and of no force or effect, as to that claim only, and this Agreement, shall constitute, as to that claim only, a lien upon the Mortgaged Property subordinate to such third person's interests, incorporating by reference the terms of the Mortgage and the Mortgage shall then be enforced pursuant to the terms therein contained, independent of this Agreement; provided, however, that notwithstanding the foregoing, as between themselves, Mortgagor and Mortgagee shall be bound by all terms and conditions hereof until all indebtedness owing to the Mortgagee shall have been paid in full.

No delay by Mortgagee in exercising any right or remedy under the Mortgage, the Loan Documents, or otherwise afforded by law, shall operate as a waiver thereof or preclude the exercise thereof during the continuance of any default thereunder. No waiver by Mortgagee of any default shall constitute a waiver of or consent to subsequent defaults. No failure of Mortgagee to exercise any option to accelerate maturity of the debt secured by the Mortgage, no forbearance by Mortgagee before or after the exercise of such option and no withdrawal or abandonment of foreclosure proceedings by Mortgagee shall be taken or construed as a waiver of its right to exercise such option or to accelerate the maturity of the debt by reason of any past, present or future default on the part of Mortgagor; and, in like manner, the procurement of insurance or the payment of taxes or other liens or charges by Mortgagee shall not be taken or construed as a waiver of its right to accelerate the maturity of the debt by Mortgagee.

As a material inducement for Mortgagee to execute this Mortgage, Mortgagor does hereby waive and release, acquit, satisfy and forever discharge Mortgagee and its affiliates and assignees from any and all claims, counterclaims, defenses, actions, causes of action, suits, controversies, agreements, promises and demands whatsoever in law or in equity which the Mortgagor ever had, now has, or which any personal representative, successor, heir or assign of the Mortgagor hereafter can, shall or may have against Mortgagee, or its affiliates and assignees, for, upon or by reason of any matter, cause or thing whatsoever through the date hereof. In addition to, and without limiting the generality of the foregoing, and in consideration of the Mortgagee's execution of this Agreement, Mortgagor covenants with and warrants unto Mortgagee, and its affiliates and assignees, that there exist no claims, counterclaims, defenses, objections, offsets or claims of offsets against the Mortgagee or the joint and several obligation of the Mortgagor to pay the indebtedness evidenced by the Notes to the Mortgagee when and as the same becomes due and payable.

Time is of the essence in all matters connected herewith.

At any time, and from time to time, upon request by the Mortgagee, the Mortgagor will make, execute and deliver or cause to be made, executed and delivered, to the Mortgagee and where appropriate, to cause to be recorded and/or filed and from time to time thereafter to be re-recorded and/or refiled at such time and in such offices or places as shall be deemed desirable by the Mortgagee, any and all other such further mortgages, instruments of further assurances, financing statements, certificates and other documents as may, in the opinion of Mortgagee, be necessary or desirable in order to effectuate, complete, perfect or to continue and preserve:

(the obligation of the Mortgagor under the Consolidated Note and this Mortgage; and

(the lien of this Mortgage as a valid lien upon all of the Mortgaged Property. Upon any failure by Mortgagor to do so, the Mortgagee may make, execute, record, file, re-record and/or refile any and all such Mortgages, financing statements, instruments, certificates and documents for and in the name of Mortgagor and the Mortgagor hereby irrevocably appoints the Mortgagee the agent and attorney in fact of Mortgagor so to do. The lien hereof will automatically attach without further act, to all after acquired property of Mortgagor that shall be attached to and/or used in the operation of the Mortgaged Property or any part thereof.

The maturity date of the Consolidated Note is June 30, 2003, which maturity date may be extended in the sole and absolute discretion of Mortgagee without recording notice of such extension.

Any notice, demand or other writing authorized or required by the Mortgage to be served on or given to Mortgagor shall be served on or given to Mortgagor at the following address:

PEDIATRIX MEDICAL GROUP, INC.
1455 Northpark Drive
Fort Lauderdale, Florida 33320

or such other address as may have been furnished in writing to Mortgagee by Mortgagor. Any notice, demand or other instrument authorized or required by the Consolidated Note, Mortgage or other Loan Documents to be served on or given to Mortgagee shall be served on or be given to Mortgagee at:

THE FIRST NATIONAL BANK OF BOSTON
100 Federal Street
Boston, Massachusetts 02110

or at such other address as may have been furnished in writing by Mortgagor to Mortgagee.

Neither the Mortgage nor the Loan Documents, nor any term hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought.

Any disputes arising under the Mortgage or the Loan Documents shall be governed by and construed in accordance with the law of the State of Florida.

Except as modified herein, all of the terms, covenants and conditions of the Mortgage are ratified, confirmed and approved and shall remain in full force and effect.

MORTGAGOR AND MORTGAGEE HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT ANY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY CLAIMS MADE BETWEEN THEM WHETHER NOW EXISTING OR ARISING IN THE FUTURE, INCLUDING, WITHOUT LIMITATION, ANY AND ALL CLAIMS, DEFENSES, COUNTERCLAIMS, THIRD PARTY CLAIMS AND INTERVENOR'S CLAIMS BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS MODIFICATION OF MORTGAGE OR ANY AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF EITHER PARTY. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE MORTGAGEE ENTERING INTO THIS MODIFICATION OF MORTGAGE AND ANY AGREEMENT MADE OR TO BE MADE IN CONNECTION HEREWITH.

IN WITNESS WHEREOF, Mortgagee and Mortgagor have caused these presents to be executed, as of the date and year first above written.

Signed, sealed and delivered
in the presence of:

. . . . . .
Print Name: . . . . . .

. . . . . .
Print Name: . . . . . .

MORTGAGEE:

THE FIRST NATIONAL BANK OF
BOSTON, a national banking association

By: . . . . . .
Print Name: . . . . . .
Title: . . . . . .

. . . . . .
Print Name: . . . . . .

. . . . . .
Print Name: . . . . . .

MORTGAGOR:

PEDIATRIX MEDICAL GROUP, INC.,
a Florida corporation

By:_____
Print Name: . . . . . .
Title: . . . . . .

. . . . . .
Print Name: . . . . . .

COMMONWEALTH OF MASSACHUSETTS

COUNTY OF SUFFOLK

The foregoing instrument was acknowledged before me this _____ day of June, 1996, by _____, as _____ of PEDIATRIX MEDICAL GROUP, INC., a Florida corporation, on behalf of the corporation. He/She is personally known to me or produced _____ as identification.

Notary Public, Commonwealth of Massachusetts
Print Name:
My Commission expires:

STATE OF MASSACHUSETTS

COUNTY OF SUFFOLK

The foregoing instrument was acknowledged before me this _____ day of June, 1996, by _____, as _____ of THE FIRST NATIONAL BANK OF BOSTON, a national banking association, on behalf of said bank. He/She is personally known to me or produced _____ as identification.

Notary Public, Commonwealth of Massachusetts
Print Name:
My Commission expires:

EXHIBIT "A"

LEGAL DESCRIPTION-NEW PROPERTY

PORTIONS OF LOTS 1 AND 2, BLOCK 2, PARK OF COMMERCE, ACCORDING TO THE PLAT THEREOF, AS RECORDED IN PLAT BOOK 110, PAGE 15, OF THE PUBLIC RECORDS OF BROWARD COUNTY, FLORIDA, DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF SAID LOT 1, BLOCK 2; THENCE NORTH 14 degrees 22'18" EAST, ALONG THE WEST BOUNDARY OF SAID LOT 1, A DISTANCE OF 40.20 FEET TO THE POINT OF BEGINNING; THENCE CONTINUE NORTH 14 degrees 22'18" EAST, ALONG THE WEST BOUNDARY OF SAID LOT 1, A DISTANCE OF 405.80 FEET; THENCE NORTH 39 degrees 00'00" EAST, A DISTANCE OF 83.00 FEET; THENCE NORTH 12 degrees 35'00" EAST, A DISTANCE OF 125.71 FEET, THE LAST TWO (2) DESCRIBED COURSES BEING ALONG THE WESTERLY BOUNDARY OF SAID LOT 2, BLOCK 2; THENCE SOUTH 82 degrees 44'50" EAST, A DISTANCE OF 176.12 FEET; THENCE SOUTH 07 degrees 15'18" WEST, A DISTANCE OF 598.94 FEET TO A POINT OF INTERSECTION WITH THE NORTH LINE OF THE 80.00 FOOT WIDE PRIVATE ACCESS AND UTILITY EASEMENT KNOWN AS ATLANTIC LOOP AS SHOWN ON SAID PLAT OF PARK OF COMMERCE, SAID POINT BEING ON THE ARC OF A CURVE CONCAVE SOUTHERLY, WHOSE RADIUS POINT BEARS SOUTH 15 degrees 59'10" WEST FROM THE LAST DESCRIBED POINT; THENCE WESTERLY, ALONG THE ARC OF SAID CURVE AND SAID NORTH LINE, HAVING A RADIUS OF 455.55 FEET, A CENTRAL ANGLE OF 12 degrees 28'06", FOR AN ARC DISTANCE OF 98.87 FEET, TO A POINT OF REVERSE CURVATURE OF A CURVE CONCAVE TO THE NORTH; THENCE CONTINUE WESTERLY ALONG THE ARC OF SAID CURVE AND SAID NORTH LINE, HAVING A RADIUS OF 2,090.00 FEET, A CENTRAL ANGLE OF 05 degrees 01'26", FOR AN ARC DISTANCE OF 183.26 FEET TO THE POINT OF BEGINNING.

SAID LANDS SITUATE IN BROWARD COUNTY, FLORIDA, CONTAINING 140.454 SQUARE FEET, OR 3.224 ACRES MORE OR LESS.

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the inclusion in this registration statement on Form S-1 of our report dated January 29, 1996, on our audits of the financial statements and financial statement schedules of Pediatrix Medical Group, Inc., our report dated July 21, 1995, on our audit of the financial statements of Neonatal and Pediatric Intensive Care Medical Group, Inc., and our report dated June 17, 1996, on our audit of the financial statements of Rocky Mountain Neonatology, P.C. We also consent to the reference to our Firm under the caption "Selected Consolidated Financial Data" and "Experts."

COOPERS & LYBRAND L.L.P.

Fort Lauderdale, Florida

July 22, 1996

EXHIBIT 23.3

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the inclusion in this registration statement on Form S-1 of our report dated February 22, 1996, on our audit of the financial statements of Neonatal Specialists, Ltd. We also consent to the reference to our Firm under the caption "Experts."

JOHNSON & MOSER, LTD.

Scottsdale, Arizona

July 22, 1996

EXHIBIT 23.4

CONSENT OF INDEPENDENT ACCOUNTANT

I consent to the inclusion in this registration statement on Form S-1 of my report dated March 15, 1996, on my audit of the financial statements of Pediatric and Newborn Consultants, PC. I also consent to the reference to my firm under the caption "Experts."

DEON E. FITCH, CPA

Englewood, Colorado

July 22, 1996

EXHIBIT 23.5

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the inclusion in this registration statement on Form S-1 of our report dated June 10, 1996, on our audit of the financial statements of West Texas Neonatal Associates, a Partnership. We also consent to the reference to our firm under the caption "Experts."

LINDA G. MEDLOCK P.C.

El Paso, Texas

July 22, 1996

EXHIBIT 23.6

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the inclusion in this registration statement on Form S-1 of our report dated May 7, 1996, on our audit of the consolidated financial statements of Infant Care Specialists Medical Group, Inc. and Subsidiary. We also consent to the reference to our Firm under the caption "Experts."

HARLAN & BOETTGER

San Diego, California

July 22, 1996

EXHIBIT 24.2

SECRETARY'S CERTIFICATE

The undersigned, Cathy J. Lerman, Secretary of Pediatrix Medical Group, Inc., a Florida corporation (the "Company"), does hereby certify on behalf of the Company, and in connection with the filing by the Company of a Registration Statement on Form S-1 with the Securities and Exchange Commission under the Securities Act of 1933, as amended, that the following resolution was duly adopted by the Board of Directors of the Company on June 26, 1996, and that said resolution has not been altered, amended, modified or rescinded and remains in full force and effect on the date hereof:

FURTHER RESOLVED, that the execution and delivery by the officers and directors of the Company who are required by the SEC to execute the Registration Statement and a power-of-attorney severally appointing Roger J. Medel, M.D., Lawrence M. Mullen and Cathy J. Lerman and each of them to be Attorney-in-Fact and agent with full power of substitution for each of such directors and officers and in their name, place and stead, in any and all capacities to sign any amendment(s) to the Registration Statement, including any post-effective amendment(s), to file the same with the SEC and to perform all other acts necessary in connection with any matter relating to the Registration Statement and any amendments(s), or post-effective amendment(s) thereto be, and it hereby is, ratified, confirmed and approved.

IN WITNESS WHEREOF, the undersigned has executed this Certificate the 22nd day of July, 1996.

PEDIATRIX MEDICAL GROUP, INC.

By: /s/ Cathy J. Lerman

Cathy J. Lerman, Secretary