UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2003

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

For the transition period from to

Commission file number 0-26762

PEDIATRIX MEDICAL GROUP, INC.

(Exact name of registrant as specified in its charter)

FLORIDA	**65-0271219**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1301 Concord Terrace, Sunrise, Florida	**33323**
(Address of principal executive offices)	(Zip Code)

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

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

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

Securities registered pursuant to Section 12(g) of the Act: Preferred Share Purchase Rights

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Securities Exchange Act Rule 12b-2). Yes [x] No [ ]

The aggregate market value of shares of Common Stock of the registrant held by non-affiliates of the registrant on June 30, 2003, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $601,832,000 based on a $35.65 closing price per share as reported on the New York Stock Exchange composite transactions list on such date.

The number of shares of Common Stock of the registrant outstanding on March 8, 2004, was 24,357,595.

DOCUMENTS INCORPORATED BY REFERENCE:

The registrant's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, with respect to the 2004 annual meeting of shareholders is incorporated by reference in Part III of this Form 10-K to the extent stated herein. Except with respect to information specifically incorporated by reference in this Form 10-K, each document incorporated by reference herein is deemed not to be filed as a part hereof.

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FORWARD-LOOKING STATEMENTS

Certain information included or incorporated by reference in this Annual Report may be deemed to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may include, but are not limited to, statements relating to our objectives, plans and strategies, and all statements (other than statements of historical facts) that address activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future are forward looking statements. These statements are often characterized by terminology such as "believe", "hope", "may", "anticipate", "should", "intend", "plan", "will", "expect", "estimate", "project", "positioned", "strategy" and similar expressions, and are based on assumptions and assessments made by our management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. Any forward-looking statements in this Annual Report are made as of the date hereof, and we undertake no duty to update or revise any such statements, whether as a result of new information, future events or otherwise. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties. Important factors that could cause actual results, developments and business decisions to differ materially from forward-looking statements are described in this Annual Report, including the risks set forth under "Risk Factors" in Item 1.

PART I

As used in this Annual Report, unless the context otherwise requires, the terms “Pediatrix”, the “Company”, “we”, “us” and “our” refer to Pediatrix Medical Group, Inc., a Florida corporation, and its consolidated subsidiaries (collectively, “PMG”), together with PMG’s affiliated professional associations, corporations and partnerships (“affiliated professional contractors”). PMG has contracts with its affiliated professional contractors, which are separate legal entities that provide physician services in certain states and Puerto Rico.

ITEM 1. BUSINESS

OVERVIEW

Pediatrix is the nation’s largest health care services company focused on physician services for newborn, maternal-fetal and other pediatric subspecialty care. Our national network is comprised of approximately 690 affiliated physicians, including 540 neonatal physician specialists who provide clinical care in 30 states and Puerto Rico, primarily within hospital-based neonatal intensive care units (called “NICUs”) to babies born prematurely or with medical complications. Our affiliated neonatal physician specialists staff and manage clinical activities at more than 200 hospitals, and our 81 affiliated maternal-fetal medicine subspecialists provide care to expectant mothers experiencing complicated pregnancies in many areas where our affiliated neonatal physicians practice. Our network includes other pediatric subspecialists, including 33 pediatric intensivists, 20 pediatric cardiologists and 16 pediatric hospitalists. In addition, we believe that Pediatrix is the nation’s largest provider of hearing screens to newborns and the largest private provider of metabolic screening services to newborns.

Pediatrix Medical Group, Inc. was incorporated in Florida in 1979. Our principal executive offices are located at 1301 Concord Terrace, Sunrise, Florida 33323, and our telephone number is (954) 384-0175.

Our Operations

Physician Services. Our principal mission is the provision of comprehensive clinical care to babies born prematurely or with medical complications and to expectant mothers experiencing complicated pregnancies.

- *Neonatal Care*. We provide clinical care to babies born prematurely or with complications within specific units at hospitals, primarily NICUs, through a team of experienced neonatal physician specialists (called “neonatologists”), neonatal nurse practitioners and other pediatric clinicians. Neonatologists are board-certified or board eligible pediatricians who have extensive education and training for the care of babies born prematurely or with complications that require more complex medical treatment. Neonatal nurse practitioners are registered nurses who have advanced training and education in managing health care needs of newborns, infants and their families.

- *Maternal-Fetal Care*. Our operations also include outpatient and inpatient clinical care to expectant mothers experiencing complicated pregnancies and their unborn babies through our affiliated maternal-fetal medicine subspecialists and other clinicians, such as maternal-fetal nurses, certified mid-wives, ultrasonographers and genetic counselors. Maternal-fetal medicine subspecialists are board-certified obstetricians who have extensive education and training for the treatment of high-risk expectant mothers and their fetuses. Our affiliated maternal-fetal medicine subspecialists practice with our affiliated neonatologists in 12 metropolitan areas to provide integrated care for women with complicated pregnancies and whose babies are often admitted to a NICU upon delivery.

- *Other Pediatric Subspecialty Care*. Our network also includes other pediatric subspecialists, such as pediatric intensivists, which are hospital-based physicians who have additional education and training in caring for critically-ill or injured children and adolescents, pediatric cardiologists, which are pediatricians who have additional education and training in congenital and acquired heart disorders, and pediatric hospitalists, which are hospital-based pediatricians who specialize in inpatient care and management of acutely-ill children. Our affiliated physicians also provide clinical services in other areas of hospitals, particularly in the labor and

delivery area, nursery and pediatric department, where immediate accessibility to specialized care may be critical.

Newborn Screening Services. In May 2003, we acquired the nation's largest private laboratory providing newborn metabolic screening. We have since combined this metabolic screening business with our existing hearing screen program. Our newborn screening program identifies more than 50 metabolic disorders and genetic and biochemical conditions, and potential hearing loss for early treatment or management. All states require screening for a select number of metabolic conditions before newborns are discharged from the hospital. In addition, 39 states require that newborns be screened for potential hearing loss before being discharged from the hospital and five other states require that parents be offered the opportunity to submit their newborns to hearing screens.

Clinical Research and Education. As part of our ongoing commitment to improving patient care through evidence-based medicine, we conduct clinical research, monitor clinical outcomes and implement clinical quality initiatives with a view to improving patient outcomes, shortening the length of hospital stays and reducing long-term health system costs. We have managed two clinical trials to completion and currently have another clinical trial in process. We also make extensive physician continuing medical education resources available to our physicians to give them access to the most current treatment methodologies and best demonstrated processes. We believe that referring physicians, hospitals, third-party payors and patients all benefit from our clinical research, education and quality initiatives.

Demand for our Physician Services

Hospital-Based Care. Hospitals generally must provide cost-effective, quality care in order to enhance their reputations within their communities and desirability to patients, referring physicians and third-party payors. In an effort to improve outcomes and manage costs, hospitals typically employ or contract with physician subspecialists to provide specialized care in many hospital-based units, including NICUs. Hospitals traditionally staffed these units through affiliations with small, local physician groups or independent practitioners. However, management of these units in recent years has presented significant operational challenges, including variable admissions rates, increased operating costs, complex reimbursement systems and other administrative burdens. As a result, hospitals have contracted with physician organizations that have the clinical quality initiatives, information and reimbursement systems and management expertise required to effectively and efficiently operate these units in the current health care environment. Demand for hospital-based physician services, including neonatology, is determined by a national market in which qualified physicians with advanced training compete for hospital contracts.

Neonatal Medicine. Of the approximately four million births in the United States annually, we estimate that approximately 10 percent require NICU admissions. Babies admitted to NICUs typically have an illness or condition that requires the care of a neonatalogist. Babies that are born prematurely and have a low birthweight often require neonatal intensive care services because of increased risk for medical complications. We believe obstetricians generally prefer to perform deliveries at hospitals that provide a full complement of labor and delivery services, which includes a NICU staffed by board-certified or board-eligible neonatologists. Because obstetrics is a significant source of hospital admissions, hospital administrators have responded to these demands by establishing NICUs and contracting with independent neonatology group practices to staff and manage these units. As a result, NICUs within the United States tend to be concentrated in hospitals with a higher volume of births. There are approximately 3,900 board-certified neonatologists in the United States who practice at approximately 1,500 hospital-based NICUs.

Maternal-Fetal Medicine. Since many of the cases involving maternal-fetal medicine subspecialists result in admissions to a NICU, we believe that early involvement by neonatologists helps to improve outcomes for both mothers and babies. We also believe that improved maternal-fetal care has a positive impact on neonatal outcomes. Although research is being conducted by numerous institutions to identify potential causes of premature birth and medical complications that often require NICU admissions, some common contributing factors include the presence of hypertension or diabetes in the mother, lack of prenatal care, complications during pregnancy, drug and alcohol abuse and smoking or poor nutritional habits during pregnancy. Data on neonatal outcomes demonstrates that, in general, the likelihood of mortality or an adverse condition or outcome (referred to as "morbidity") is reduced the

longer a baby remains in the womb. As a result, our maternal-fetal medicine subspecialists focus on extending the pregnancy to improve the viability of the fetus.

Other Pediatric Subspecialty Medicine. Other areas of pediatric subspecialty medicine are closely associated with our operations in maternal-fetal-newborn medicine. For example, pediatric intensivists care for critically-ill or injured children and adolescents in pediatric intensive care units (called "PICUs"). We believe there are approximately 1,100 board-certified pediatric intensivists in the United States who practice at approximately 400 hospital-based PICUs. Pediatric cardiology is another important subspecialty within pediatric medicine and is linked closely with maternal-fetal and neonatal intensive care. There are approximately 1,700 board-certified pediatric cardiologists in the United States and we believe that approximately one percent of all babies born in the United States each year are born with congenital cardiovascular malformations. Advances in diagnostic procedures have made it possible to identify cardiovascular malformations relatively early in a pregnancy, and pediatric cardiologists routinely work closely with maternal-fetal medicine subspecialists and neonatologists to improve patient outcomes.

Practice Administration. Administrative demands and cost containment pressures from a number of sources, principally commercial and government payors, make it increasingly difficult for doctors and hospitals to effectively manage patient care, remain current on the latest procedures and efficiently administer non-clinical activities. As a result, we believe that physicians and hospitals remain receptive to being affiliated with larger organizations that reduce administrative burdens, achieve economies of scale and provide value-added clinical research, education and quality initiatives. By relieving many of the burdens associated with the management of a subspecialty group practice, we believe that our practice administration services permit our affiliated physicians to focus on providing quality patient care and thereby contribute to improving patient outcomes, shortening the length of hospital stays and reducing long-term health system costs. In addition, our national network of affiliated physician practices, although modeled around a traditional group practice structure, is managed by a non-clinical professional management team with proven abilities to achieve significant operating efficiencies in providing administrative support systems, interacting with physicians, hospitals and third-party payors, managing information systems and technologies, and complying with laws and regulations.

Our Business Strategy

Our business objective is to enhance our position as a premier health services organization that is built around physician services for newborn and maternal-fetal care. The key elements of our strategy to achieve our objectives are:

- ***Focus on neonatal, maternal-fetal and other pediatric subspecialty care***. Through our focus on neonatology, we have developed significant administrative expertise relating to neonatal physician services. We have also facilitated the development of a clinical approach to the practice of medicine among our affiliated physicians that includes research, education and quality initiatives intended to advance the science of neonatology and improve the quality of care provided to acutely-ill newborns and contribute to shortening the length of their hospital stay and reducing long-term health system costs. We are committed to developing similar expertise in maternal-fetal medicine and other pediatric subspecialties.

- ***Promote same unit growth***. We seek opportunities for increasing revenues in our hospital-based operations. For example, our affiliated hospital-based physicians are well situated to, and, in some cases, provide physician services in other departments, such as newborn nurseries, or in situations where immediate accessibility to specialized obstetric and pediatric care may be critical. In addition, we market our capabilities to obstetricians and family physicians to attract referrals to our hospital-based units. We also market the services of our affiliated physicians to other hospitals to attract transport admissions.

- ***Acquire physician practice groups and expand into additional healthcare services***. We continue to seek to expand our operations by acquiring established neonatal and maternal-fetal medicine practice groups and other complementary pediatric subspecialty physician groups, such as pediatric intensivists, pediatric cardiologists and pediatric hospitalists. During 2003, we added seven physician groups to our national network through acquisitions, consisting of four neonatal groups, two pediatric cardiology practices and one pediatric intensive care practice. We also added four NICU practices through new hospital contracts. We intend to explore other strategic

opportunities that are clinically related to our physician and newborn screening services and in other health care areas that would allow us to leverage our business expertise.

- ***Expand our newborn screening services***. We will continue to seek contracts with hospitals and, in some cases, state agencies to provide screening services to newborns to detect the presence of hearing disorders and metabolic conditions for early treatment or management. We intend to focus on providing quality services and may seek other opportunities to expand our screening capabilities.

- ***Strengthen relationships with our partners***. By managing many of the operational challenges associated with a subspecialty practice, encouraging clinical research, education and quality initiatives, and promoting timely intervention by qualified pediatric and maternal-fetal medicine subspecialists in emergency situations, we believe that our business model is focused on improving the quality of care delivered to acutely-ill newborns, shortening the length of their hospital stay and reducing long-term health system costs. We believe that referring physicians, hospitals, third-party payors and patients all benefit to the extent that we are successful in implementing our business model. We will continue to seek opportunities to strengthen relationships with our partners.

OUR PHYSICIAN SERVICES

Neonatal Care

We provide neonatal care to babies born prematurely or with complications within specific hospital units' primarily NICUs, through our network of 540 affiliated neonatologists and other related clinical professionals who staff and manage clinical activities at more than 200 NICUs in 30 states and Puerto Rico. We partner with our hospital clients in an effort to enhance the quality of care delivered to premature and sick babies. Many of the nation's largest and most prestigious hospitals, both not-for-profit and for-profit institutions, retain us to staff and manage their NICUs. Our affiliated neonatologists generally provide 24-hours-a-day, seven-days-a-week coverage, supporting the local referring physician community and being available for consultation in other hospital departments. Our hospital partners benefit from our experience in managing complex critical care units and reducing the costs associated with directly employing physician specialists. Our neonatal physicians interact with colleagues across the country through an internal communications system to draw upon expertise in managing challenging patient care issues. Our neonatal physicians also work collaboratively with maternal-fetal medicine subspecialists to coordinate care of mothers experiencing complicated pregnancies and their fetuses. We also employ or contract with neonatal nurse practitioners, who work with our affiliated physicians in providing medical care.

Maternal-Fetal Care

We provide outpatient and inpatient maternal-fetal care to expectant mothers with complicated pregnancies and their fetuses through our network of 81 affiliated maternal-fetal medicine subspecialists and other related clinical professionals. Our affiliated neonatologists practice with maternal-fetal medicine subspecialists in 12 metropolitan areas to provide integrated care for women with complicated pregnancies whose babies are often admitted to the NICU upon delivery. We believe continuity of treatment from mother and developing fetus during the pregnancy to the newborn upon delivery has improved the clinical outcomes of our patients.

Other Pediatric Subspecialty Care

Our network includes other pediatric subspecialists, such as pediatric intensivists, pediatric cardiologists and pediatric hospitalists. In addition, our affiliated physicians also seek to provide support services in other areas of hospitals, particularly in the labor and delivery area, nursery and pediatric department, where immediate accessibility to specialized care may be critical. Our experience and expertise in maternal-fetal-neonatal medicine has led to our involvement in these other areas.

- ***Pediatric Intensive Care***. Our 33 affiliated pediatric intensivists provide clinical care for critically-ill or injured children and adolescents. They staff and manage PICUs at more than 14 hospitals.

- ***Pediatric Cardiology Care***. Our pediatric cardiology practice consists of 20 affiliated pediatric cardiologists practicing in the South Florida and Phoenix-Tucson metropolitan areas who, together with related clinical professionals, provide specialized cardiac care to fetal and pediatric patients with congenital heart disorders through scheduled office visits, hospital rounds and immediate consultation in emergency situations. We significantly expanded our pediatric cardiology network in 2003 with our acquisition of practices located in West Palm Beach, Florida, and Phoenix, Arizona.

- ***Pediatric Hospitalists***. Our 16 affiliated pediatric hospitalists provide clinical care to acutely ill children in more than 20 hospitals.

- ***Other Newborn and Pediatric Care***. Because our affiliated physicians and advanced nurse practitioners generally provide hospital-based coverage, they are situated to provide highly specialized care to address medical needs that may arise during a baby's hospitalization. For example, as part of our on-going efforts to support and partner with hospitals and the local referring physician community, our affiliated neonatologists, pediatric hospitalists and advanced nurse practitioners provide in-hospital nursery care to newborns through our newborn nursery program. This program is made available for babies during their hospital stay, which in the case of healthy babies typically comprises two days of evaluation and observation, following which they are referred, and their hospital records are provided, to their pediatricians or family practitioners for follow-up care.

OUR NEWBORN SCREENING SERVICES

We provide screening services to detect the presence of newborn hearing disorders and metabolic conditions for early treatment or management. Since we launched our newborn hearing screening program in 1994, we have become the largest provider of newborn hearing screening services in the United States. We screened approximately 230,000 babies for potential hearing loss at more than 100 hospitals across the nation in 2003. We also operate a technologically-advanced metabolic screening laboratory that we acquired in May 2003. This laboratory is recognized for providing a screening program for newborns that we believe is among the most comprehensive in the world. By analyzing small blood samples drawn from newborns during the first few days after birth, we can identify the presence of more than 50 metabolic disorders and other genetic and biochemical conditions.

We have advocated expanded newborn screening for several years and newborn screening is becoming an area of increasing interest to health care providers, as well as state and federal agencies. Many metabolic disorders can result in death if not diagnosed and treated in a timely manner. Early detection and successful intervention of many conditions can often improve the long-term quality of life of patients and reduce the long-term health care costs associated with the treatment of identified conditions.

We contract or coordinate with hospitals and, in some cases, state agencies to provide newborn screening services. All states mandate the screening of a limited number of metabolic disorders before newborns are discharged from the hospital so that a course of treatment can begin as soon as possible. In addition, hospitals, health care providers and parents may choose to have expanded screening for more than 50 metabolic disorders and other genetic and biochemical conditions. With respect to hearing screens, 39 states require that newborns be screened for potential hearing loss before being discharged from the hospital and five other states require that parents be offered the opportunity to submit their newborns to such screens.

OUR CLINICAL RESEARCH AND EDUCATION

As part of our patient focus and ongoing commitment to improving patient care through evidenced-based medicine, we have engaged in a number of clinical research, quality and education initiatives intended to enhance the care provided to patients by our affiliated physicians, thereby contributing to improved patient outcomes and reduced long-term health system costs.

- ***Clinical Quality Initiatives***. We monitor clinical outcomes in an effort to identify specific factors in treating babies born prematurely or with complications and to discover new methods of patient care that result in better

outcomes at a reduced cost over the life of the patient. These efforts have resulted in our implementation of four best demonstrated process initiatives since 2000: *Improving Weight Gain for Very Low Birth Weight Infants in the First 28 Days*; *Improving Feeding of Breast Milk at NICU Discharge*; *Reducing Red Blood Cell Transfusions for 23-29 Week Infants*; and *Improving Compliance with AAP Recommendation on Use of Hepatitis B Vaccine in Premature Neonates*. These initiatives are designed to improve the growth of babies following premature birth, minimize medical complications and shorten the length of their hospital stays.

- ***Continuing Medical Education***. We also make extensive physician continuing medical education (called "CME") resources available to our affiliated physicians in an effort to ensure that they have knowledge of current treatment methodologies. In addition to being accredited as a provider of CME Category I credits for physicians, we maintain "PediatrixU™ – A University Without Walls" which is an interactive educational web-site. We also have implemented a Professional Development Award program which offers a stipend and research support for neonatal and maternal-fetal fellows-in-training.

- ***Clinical Trials***. We have managed two clinical trials to completion. Our clinical study entitled *Glutamine Supplementation In Safely Reducing Hospital-Acquired Sepsis in Very Low Birth Weight Infants*, commenced in April 2000, resulted in a paper published in the *Journal of Pediatrics* in June 2003. We are currently analyzing the data from our completed study *Epidemiology of Respiratory Failure in Near-Term Neonates*, which commenced in February 2001. In addition, we currently have a clinical trial in process, *Comparing Infasurf and Survanta in the Prevention and Treatment of Respiratory Distress Syndrome in Low Birth Weight Infants*, a study that we commenced in March 2001 with a grant from Forest Laboratories. We also have four maternal-fetal medicine multi-center clinical trials designed and beginning enrollment.

We believe that these initiatives have been enhanced by our integrated national presence together with our management information systems, which are an integral component of our clinical research and education activities. See "Our Management Information Systems".

OUR PRACTICE ADMINISTRATION

We provide multiple administrative services to support the practice of medicine by our affiliated physicians and improve operating efficiencies of our affiliated practice groups.

- ***Unit Management***. We appoint a senior physician practicing medicine in each NICU, PICU, maternal-fetal and cardiology practice and other subspecialty unit that we manage to act as our medical director for that unit. Each medical director is responsible for the overall management of his or her unit, including quality of care, professional discipline, utilization review, coordinating physician recruitment, staffing and scheduling, and monitoring our financial success within the unit. Medical directors also serve as a liaison with hospital administration and the community. Each medical director reports to one of our Regional Presidents. All medical directors and Regional Presidents are board-certified or board-eligible physicians in their respective specialties.

- ***Staffing and Scheduling***. We assist with staffing and scheduling physicians and advanced nurse practitioners within the units that we manage. For example, each unit or practice is staffed by at least one specialist on site or available on call. All our affiliated physicians are board-certified or board-eligible in neonatology, maternal-fetal medicine, pediatrics, pediatric critical care or pediatric cardiology, as appropriate. We are responsible for salaries and benefits for physicians affiliated with us. In addition, we employ, compensate and manage all non-medical personnel for our affiliated physician groups.

- ***Recruiting and Credentialing***. We have significant experience in locating, qualifying, recruiting and retaining experienced neonatologists, maternal-fetal medicine subspecialists, pediatricians and pediatric subspecialists. We maintain an extensive database of maternal-fetal, neonatal and other pediatric subspecialty physicians nationwide. Our medical directors and Regional Presidents play a central role in the recruiting and interviewing process before candidates are introduced to hospital administrators. We pre-screen all candidates and check their credentials, licensure and references in order to recommend a physician that meets the hospital's requirements. In addition to our database of physicians, we recruit nationally through trade advertising, referrals from our affiliated physicians and attendance at conferences.

- ***Billing, Collection and Reimbursement***. We assume responsibility for billing, collection and reimbursement with respect to services rendered by our affiliated physicians, but not charges for services provided by hospitals to the same payors which are separately billed and collected by the hospitals. We provide our affiliated physicians with a training curriculum that emphasizes detailed documentation of and proper coding protocol for all procedures performed and services provided to achieve appropriate collection of revenues for physician services. Our billing and collection operations are conducted from our corporate offices, as well as our regional business offices located across the United States and in Puerto Rico.

- ***Risk Management***. We maintain a risk management program focused on reducing risk and improving outcomes through evidence-based medicine, including diligent patient evaluation, documentation and access to research, education and best demonstrated processes. We are responsible for maintaining professional liability coverage for our national group of affiliated heath care professionals. In addition, we provide regulatory expertise to assist our affiliated practice groups in complying with increasingly complex laws and regulations.

We also provide management information systems, facilities management, marketing support and other services to our affiliated physicians and affiliated practice groups.

OUR MANAGEMENT INFORMATION SYSTEMS

We maintain several information systems to support our day-to-day operations, and ongoing clinical and business analysis.

- ***BabySteps™***. BabySteps is our new clinical information management system that permits our affiliated physicians to record clinical progress notes electronically and provides a decision-tree to assist them in selecting appropriate billing codes. We began the development of this new software system to replace our Research Data System ("RDS") following our acquisition of Magella Healthcare Corporation ("Magella") in May 2001. BabySteps incorporates the best features of RDS and another development software system created by Magella prior to the acquisition. BabySteps recently completed initial testing and is in the process of being implemented throughout Pediatrix.

- ***RDS***. First installed in March 1996, RDS is a centralized clinical database that contains clinical information from over 3.3 million daily progress records relating to more than 186,000 discharged patients. RDS is used in more than 130 hospitals to report and analyze clinical outcomes and identify prospective clinical trials and quality initiatives. Studies from this database have resulted in numerous articles published in peer-reviewed medical journals. RDS is still being used at various locations within Pediatrix pending the full implementation of BabySteps.

- ***PediatrixU™***. PediatrixU™ is an educational website that disseminates clinical research, continuing quality improvement and education materials for which physicians may obtain continuing medical education credit. PediatrixU also functions as a "virtual doctors' lounge", enabling physicians around the country to discuss difficult or unusual cases with one another.

Our management information systems are also an integral component of the billing and reimbursement process. We maintain systems that provide for electronic data interchange with payors accepting electronic submission, including electronic claims submission, insurance benefits verification, and claims processing and remittance advice and that enable us to track numerous and diverse third-party payor relationships and payment methods. Our information systems have been designed to meet our requirements by providing for scalability and flexibility as payor groups upgrade their payment and reimbursement systems. Ongoing systems development will provide even greater streamlining of information from the clinical systems through the reimbursement process, thereby expediting the overall process.

We maintain additional information systems designed to improve operating efficiencies of our affiliated practice groups, reduce physicians' paperwork requirements and facilitate interaction among our affiliated physicians and their colleagues regarding patient care issues. Following the acquisition of a physician practice group, we implement systematic procedures to improve the acquired group's operating and financial performance.

One of our first steps is to convert the newly-acquired group to our broad-based management information system. We also maintain a database management system to assist our business development and recruiting departments to identify potential practice group acquisitions and physician candidates.

RELATIONSHIPS WITH OUR PARTNERS

We have built our leading presence in neonatal physician services by advancing our business model. This model, which has been influenced by the direct contact and daily interaction that our affiliated physicians have with their patients, emphasizes a patient-focused clinical approach that addresses the needs of our various "partners", including hospitals, third-party payors, referring physicians, affiliated physicians and, most important, our patients. Our relationships with all our partners are important to our continued success.

Hospitals

Our relationships with our hospital partners are critical to our operations. We have been retained by over 200 hospitals to staff and manage clinical activities within specific hospital-based units, primarily NICUs. Our hospital-based focus enhances our relationships with hospitals and creates opportunities for our affiliated physicians to provide patient care in other areas of the hospital, including emergency rooms, nurseries and other departments where access to specialized obstetric and pediatric care may be critical. Because hospitals control access to their NICUs through the awarding of contracts and hospital privileges, we must maintain good relationships with our hospital partners. Our affiliated physicians are also an important component of obstetric and pediatric services provided by hospitals. Our hospital partners benefit from our expertise in managing critical care units staffed with physician specialists, including managing variable admission rates, operating costs, complex reimbursement systems and other administrative burdens. We also work with our hospital partners to enhance their reputation and market our services to referring physicians, an important source of hospital admissions, within the communities served by those hospitals.

Under our contracts with hospitals, we have the responsibility to manage, in many cases exclusively, the provision of physician services to the NICUs and other hospital-based units. We typically are responsible for billing patients and third-party payors for services rendered by our affiliated physicians separately from other related charges billed by the hospital to the same payors. Some of our hospital contracts require a hospital to pay to us administrative fees if the hospital does not generate sufficient patient volume in order to guarantee that we receive a specified minimum revenue level. We also receive administrative fees from hospitals for administrative services performed by our affiliated physicians providing medical director services at the hospital. Administrative fees accounted for 5% of our net patient service revenue during 2003. Our contracts with hospitals also generally require us to indemnify them and their affiliates for losses resulting from the negligence of our affiliated physicians. Our hospital contracts have terms of typically one to three years which can be terminated without cause by either party upon prior written notice, and renew automatically for additional terms of one to three years unless earlier terminated by any party. While we have in most cases been able to renew these arrangements, hospitals may cancel or not renew our arrangements, or reduce or eliminate our administrative fees in the future.

Third-Party Payors

Our relationships with government-sponsored plans (principally Medicaid), managed care organizations and commercial payors are vital to our business. We seek to maintain professional working relationships with our third-party payors and to streamline the administrative process of billing and collections, including providing clear information to patients and their families regarding their health insurance coverage and any balance due for co-payment, co-insurance deductible, or out-of-network benefit limitations. In addition, through our quality initiatives and continuing research and education efforts we have sought to enhance clinical care provided to patients, which we believe benefits third-party payors by contributing to improved patient outcomes and reduced long-term health system costs.

We receive compensation for professional services provided by our affiliated physicians to patients based upon rates for specific services provided, principally from third-party payors. Our billed charges are substantially the same for all parties in a particular geographic area regardless of the party responsible for paying the bill for our services. A significant portion of our net patient service revenue is received from government-sponsored plans, principally state Medicaid programs. Medicaid programs can be either standard fee-for-service payment programs or managed care programs in which states have contracted with health insurance companies to run local or state wide health plans with features similar to Health Maintenance Organizations. Our compensation rates under Medicaid programs are established by state governments and are not negotiated. Although Medicaid rates vary across the

individual states, these rates are generally much lower in comparison to private sector health plan rates. In order to participate in the Medicaid programs, we and our affiliated practices must comply with stringent and often complex enrollment and reimbursement requirements. Different states also impose differing standards for their Medicaid programs. See “Government Regulation—Government Reimbursement Requirements” below.

We also receive compensation pursuant to contracts with commercial payors that offer a wide variety of health insurance products, such as Health Maintenance Organizations, Preferred Provider Organizations, and Exclusive Provider Organizations that are subject to various state laws and regulations, as well as self-insured organizations subject to federal ERISA requirements. We seek to secure mutually agreeable contracts with payors that enable our affiliated physicians to be listed as in-network participants within the payors’ provider networks. We generally contract with commercial payors through our affiliated professional contractors, principally on a local basis. Subject to applicable laws and regulations, the terms, conditions and compensation rates of our contracts with commercial third-party payors are negotiated and often vary widely across markets and among payors. In some cases, we contract with organizations that establish and maintain provider networks and then rent or lease such networks to the actual payor. Our contracts with commercial payors typically provide for discounted fee-for-service arrangements and grant each party the right to terminate the contracts without cause upon prior written notice.

If we do not have a contractual relationship with a health insurance payor, we generally bill the payor our full billed charges. If payment is less than billed charges, we bill the balance to the patient, subject to state billing practice regulations. Although we maintain standard billing and collections procedures with appropriate discounts for prompt payment, we also provide discounts in certain hardship situations where patients and their families do not have financial resources necessary to pay the amount due for services rendered.

Referring Physicians

We consider referring physicians to be our partners, and our affiliated physicians seek to establish and maintain professional relationships with referring physicians in the communities where they practice. Because patient volumes of our NICUs are based in part on referrals from other physicians, particularly obstetricians, it is important that we are responsive to the needs of referring physicians in the communities in which we operate. We believe that our community presence, through our hospital coverage and outpatient clinics, assists referring obstetricians, office-based pediatricians and family physicians with their practices. Our affiliated physicians are able to provide comprehensive maternal-fetal-newborn and pediatric subspecialty care to patients using the latest advances in methodologies, supporting the local referring physician community with 24-hours-a-day, seven-days-a-week on-site or on-call coverage.

Affiliated Physicians and Practice Groups

One of our most important assets is our relationships with our affiliated physicians. Our affiliated physicians are organized in traditional practice group structures. In accordance with applicable state laws, our affiliated practice groups are responsible for the provision of medical care to patients. Our affiliated practice groups are separate legal entities organized under state law as professional associations, corporations and partnerships, which we sometimes refer to as “our affiliated professional contractors”. Each of our affiliated professional contractors is owned by a licensed physician affiliated with PMG through employment or another contractual relationship. Our national infrastructure enables more effective and efficient sharing of new discoveries and clinical outcomes data, including implementation of best demonstrated processes, and affords access to sophisticated information systems, clinical research and leading edge technology.

Our affiliated professional contractors employ or contract with physicians to provide clinical services in certain states and Puerto Rico. In most of our affiliated practice groups, each physician has entered into an employment agreement with us or one of our affiliated professional contractors providing for a base salary and incentive bonus eligibility and having typically a term of three to five years which usually can be terminated without cause by any party upon prior written notice. We typically are responsible for billing patients and third-party payors for services rendered by our affiliated physicians separately from other charges billed by hospitals to the same payors. Each physician must hold a valid license to practice medicine in the state in which he or she provides patient care and must become a member of the medical staff, with appropriate privileges, at each hospital at which he or she practices. Substantially all the physicians employed by us or our affiliated professional contractors have agreed not

to compete within a specified geographic area for a certain period after termination of employment. Although we believe that the non-competition covenants of our affiliated physicians are reasonable in scope and duration and therefore enforceable under applicable state laws, we cannot predict whether a court or arbitration panel would enforce these covenants. Our hospital contracts also typically require that we and the physicians performing services maintain minimum levels of professional and general liability insurance. We negotiate those policies and contract and pay the premiums for such insurance on behalf of the physicians.

Each of our affiliated professional contractors has entered into a comprehensive management agreement with PMG that is long-term in nature, and in most cases permanent, subject only to a right of termination by PMG (except in the case of gross negligence, fraud or illegal acts of PMG). Under the terms of these management agreements, PMG receives income based on the performance of the applicable practice group, and PMG is responsible for the provision of non-medical services and the compensation and benefits of the practices' non-physician medical personnel. See "Governmental Regulation—Fee Splitting; Corporate Practice of Medicine" and Note 2 to our Consolidated Financial Statements included in Item 8 of this Annual Report.

COMPETITION

The health care industry is highly competitive. Competition in our business is generally based upon a number of factors, including reputation, experience and level of care, and our affiliated physicians' ability to provide cost-effective, quality clinical care. The nature of competition for our hospital-based practices, such as neonatology and pediatric intensive care, differs significantly from competition for our office-based practices. Our hospital-based practices compete nationally with other pediatric health services companies and physician groups for hospital contracts and qualified physicians. In some instances, they also compete on a more local basis for referrals from physicians and transports from other hospitals. Our office-based practices, such as maternal-fetal medicine, compete for patients with office-based practices in that specialty.

Because our operations consist primarily of physician services provided within hospital-based units, primarily NICUs, we compete with others for contracts with hospitals to provide neonatal services. We also compete with hospitals themselves to provide such services. Hospitals may employ neonatologists directly or contract with other physician groups to provide services either on an exclusive or non-exclusive basis. A hospital not otherwise competing with us may facilate competition by creating a new NICU, expanding the capacity of an existing NICU or upgrading the level of its existing NICU and then awarding the contract to operate the neonatal service to a competing group or company. Because hospitals control access to their NICUs through the awarding of contracts and hospital privileges, we must maintain good relationships with our hospital partners. Hospitals may terminate our contracts without cause at any time upon prior written notice.

The health care industry is highly competitive. Companies in other segments of the industry, some of which have financial and other resources greater than ours, may become competitors in providing neonatal, maternal-fetal and other pediatric subspecialty care.

GOVERNMENT REGULATION

The health care industry is governed by a framework of federal and state laws, rules and regulations that are extensive and complex and for which the industry has the benefit of only limited judicial and regulatory interpretation. If we or one of our affiliated practice groups is found to have violated any of these laws, rules and regulations, our business, financial condition or results of operations could be materially adversely affected. Moreover, health care continues to attract much legislative interest and public attention. Changes in health care legislation or government regulation may restrict our existing operations, limit the expansion of our business or impose additional compliance requirements and costs, any of which could have a material adverse effect on our business, financial condition or results of operations.

Licensing and Certificates of Need

Each state imposes licensing requirements on individual physicians and clinical professionals, and on facilities operated or utilized by health care companies like us. Many states require regulatory approval, including

certificates of need, before establishing certain types of health care facilities, offering certain services or expending amounts in excess of statutory thresholds for health care equipment, facilities or programs. We and our affiliated physicians are required to meet applicable Medicaid provider requirements under state laws and regulations.

Fee-Splitting; Corporate Practice of Medicine

Many states have laws that prohibit business corporations, such as PMG, from practicing medicine, employing physicians to practice medicine, exercising control over medical decisions by physicians, or engaging in certain arrangements, such as fee-splitting, with physicians. In these states, we maintain long-term management contracts with our affiliated professional contractors, which employ or contract with physicians to provide physician services. In states where we are not permitted to practice medicine, we perform only non-medical administrative services, do not represent that we offer medical services and do not exercise influence or control over the practice of medicine by the physicians employed by our affiliated professional contractors. In states where fee-splitting is prohibited, the fees that we receive from our affiliated professional contractors have been established on a basis that we believe complies with the applicable states' laws. Although the relevant laws in these states have been subjected to limited judicial and regulatory interpretation, we believe that we are in compliance with applicable state laws in relation to the corporate practice of medicine and fee-splitting. However, regulatory authorities or other parties, including our affiliated physicians, may assert that, despite these arrangements, we are engaged in the corporate practice of medicine or that our contractual arrangements with our affiliated professional contractors constitute unlawful fee-splitting, in which case we could be subject to civil or criminal penalties, our contracts could be found legally invalid and unenforceable (in whole or in part) or we could be required to restructure our contractual arrangements with our affiliated professional contractors.

Fraud and Abuse Provisions

Existing federal laws governing Medicaid and other federal health care programs, as well as similar state laws, impose a variety of fraud and abuse prohibitions on health care companies like us. These laws are interpreted broadly and enforced aggressively by multiple government agencies, including the Office of Inspector General of the Department of Health and Human Services (the "OIG"), the Department of Justice and the various state authorities. The federal government's enforcement efforts have been increasing in recent years, in part as a result of the establishment of an inter-agency fraud and abuse control program that coordinates federal, state and local law enforcement efforts nationwide and that is funded through the collection of penalties and fines for violations of the health care fraud and abuse laws.

The fraud and abuse laws include extensive federal and state regulations applicable to our financial relationships with hospitals, physicians and other health care entities. In particular, federal anti-kickback laws and regulations prohibit certain offers, payments or receipts of remuneration in return for either referring Medicaid or other government-sponsored health care program business, or purchasing, leasing, ordering, or arranging for or recommending any service or item for which payment may be made by a government-sponsored health care program. In addition, federal physician self-referral legislation, commonly known as the "Stark law," prohibits a physician from ordering certain designated health services reimbursable by Medicaid from an entity with which the physician has a prohibited financial relationship. These laws are broadly worded and, in the case of the anti-kickback law, have been broadly interpreted by federal courts, and potentially subject many business arrangements to government investigation and prosecution, which can be costly and time consuming.

Violations of these laws are punishable by substantial penalties, including monetary fines, civil penalties, criminal sanctions (including imprisonment), exclusion from participation in government-sponsored health care programs, and forfeiture of amounts collected in violation of such laws, any of which could have an adverse effect on our business and results of operations. For example, if we or our affiliated professional contractors were excluded from any government-sponsored healthcare programs, not only would we not be permitted to make claims for reimbursement under these programs but also we would be unable to contract with other healthcare providers, such as hospitals, to provide services to them. Many of the states in which we operate also have similar anti-kickback and self-referral laws which are applicable to our non-government business and which also authorize substantial penalties for violations.

There are a variety of other types of federal and state fraud and abuse laws, including laws authorizing the imposition of criminal, civil and administrative penalties for filing false or fraudulent claims for reimbursement with government health care programs. These laws include the civil False Claims Act ("FCA"), which prohibits the filing of false claims in federal health care programs, including Medicaid, the TRICARE program for military dependents and retirees, and the Federal Employees Health Benefits Program. Substantial civil fines can be imposed for violating the FCA. Furthermore, to prove a violation of the FCA requires only that the government show that the individual or company that filed the false claim acted in "reckless disregard" of the truth or falsity of the claim, notwithstanding that there was no intent to defraud the government program and no actual knowledge that the claim was false (which are required to be shown to uphold a typical criminal conviction). The FCA also includes "whistleblower" provisions that permit private citizens to sue a claimant on behalf of the government and thereby share in any fines imposed under the law. In recent years, many cases have been brought against health care companies by such "whistleblowers," which have resulted in the imposition of substantial fines on the companies involved. In addition, federal and state agencies that administer health care programs have at their disposal statutes, commonly known as the "civil money penalty laws", that authorize substantial administrative fines and exclusion from government programs in any case where the individual or company that filed the claim or caused the claim to be filed knew or should have known that the claim was false. It often is not necessary for the agency to show that the claimant had actual knowledge that the claim was false in order to impose these penalties. The civil and administrative penalty statutes are being applied in an increasingly broader range of circumstances. For example, government authorities often argue that claiming reimbursement for services that fail to meet applicable quality standards may, under certain circumstances, violate these statutes. Government authorities also often take the position that claims for services that were induced by kickbacks or other illicit marketing schemes are fraudulent and, therefore, violate the false claims statutes.

Although we intend to conduct our business in compliance with all applicable federal and state fraud and abuse laws, many of the laws and regulations applicable to us, including those relating to billing and those relating to financial relationships with physicians and hospitals, are broadly worded and may be interpreted or applied by prosecutorial, regulatory or judicial authorities in ways that we cannot predict. Accordingly, we cannot assure you that our arrangements or business practices will not be subject to government scrutiny or be found to violate applicable fraud and abuse laws. Moreover, the standards of business conduct expected of health care companies under these laws and regulations have become more stringent in recent years, even in instances where there has been no change in statutory language. If there is a determination by government authorities that we have not complied with any of these laws and regulations, our business, financial condition and results of operations could be materially adversely affected.

Government Reimbursement Requirements

In order to participate in various state Medicaid programs, we and our affiliated practices must comply with stringent and often complex enrollment and reimbursement requirements. Different states also impose differing standards for their Medicaid programs. Our compliance program requires that we and our affiliated practices adhere to the laws and regulations applicable to the government programs in which we participate, and failure to comply with these laws and regulations could negatively affect our business, financial condition and results of operations. See "Government Regulation-Fraud and Abuse Provisions", "Our Compliance Plan", "Government Investigations" and "Other Legal Proceedings".

In addition, Medicaid and other government health care programs (such as the TRICARE program) are subject to statutory and regulatory changes, administrative rulings, interpretations and determinations, requirements for utilization review and new governmental funding restrictions, all of which may materially increase or decrease program payments as well as affect the cost of providing services and the timing of payments to providers. Moreover, because these programs generally provide for reimbursements on a fee schedule basis rather than on a charge-related basis, we generally cannot increase our revenues by increasing the amount we charge for our services. To the extent our costs increase, we may not be able to recover our increased costs from these programs, and cost containment measures and market changes in non-governmental insurance plans have generally restricted our ability to recover, or shift to non-governmental payors, these increased costs. In attempts to limit federal spending, there have been, and we expect that there will continue to be, a number of proposals to limit Medicaid reimbursement for various services. For example, the Balanced Budget Act of 1997 made it easier for states to

reduce their Medicaid reimbursement levels and some states have enacted or are considering enacting measures that are designed to reduce their Medicaid expenditures. The Balanced Budget Act of 1997 also mandated that the Centers for Medicare and Medicaid Services, or CMS, conduct competitive bidding demonstrations for certain Medicare services. These competitive bidding demonstrations could provide CMS, Congress and the states with models for implementing competitive pricing in other federal health care programs. If, for example, such a competitive bidding system were implemented for Medicaid services, it could result in lower reimbursement rates, exclude certain services from coverage or impose limits on increases in reimbursement rates. Our business may be significantly and adversely affected by any such changes in reimbursement policies and other legislative initiatives aimed at reducing health care costs associated with Medicaid and other government healthcare programs.

Our business also could be adversely affected by reductions in or limitations of reimbursement amounts or rates under these government programs, reductions in funding of these programs or elimination of coverage for certain individuals or treatments under these programs, which may be implemented as a result of:

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

Antitrust

The health care industry is highly regulated for antitrust purposes and we believe that it will continue to be subject to close regulatory scrutiny. In recent years, the Federal Trade Commission (the “FTC”), the Department of Justice, and state Attorney Generals have taken increasing steps to review and, in some cases, take enforcement action against, business conduct and acquisitions in the health care industry. We continue to be the subject of an active and ongoing investigation by the FTC relating to issues of competition in connection with our 2001 acquisition of Magella and our business practices generally. See “Government Investigations”. Violations of antitrust laws are punishable by substantial penalties, including significant monetary fines, civil penalties, criminal sanctions, and consent decrees and injunctions prohibiting certain activities or requiring divesture or discontinuance of business operations. Any of these penalties could have a material adverse effect on our business, financial condition or results of operations.

Medical Records Privacy Legislation

Numerous federal and state laws and regulations govern the collection, dissemination, use and confidentiality of patient health information, including the federal Health Insurance Portability and Accountability Act of 1996 and related rules (“HIPAA”), violations of which are punishable by monetary fines, civil penalties and criminal sanctions. As part of our medical record keeping, third-party billing, research and other services, we and our affiliated practices collect and maintain patient health information.

The Office of Inspector General of the Department of Health and Human Services (DHHS) is required under the Administrative Simplification Provisions of HIPAA to adopt standards to protect the privacy and security of health-related information in an effort to improve the efficiency and effectiveness of the healthcare industry by enabling the efficient electronic transmission of certain health information. DHHS released final regulations in December 2000 containing privacy standards that apply to medical records and other individually identifiable health information used or disclosed by healthcare providers, hospitals, health plans and healthcare clearinghouses in any form, whether electronically, on paper, or orally. Compliance with these privacy regulations was required by April 14, 2003. We have implemented privacy policies and procedures, including training programs, designed to ensure compliance with the privacy regulations. In addition, DHHS adopted final regulations in February 2003 containing security standards requiring healthcare providers to implement administrative, physical and technical safeguards to protect the integrity, confidentiality and availability of electronically received, maintained or transmitted (including between us and our affiliated practices), individually identifiable health-related information. Compliance with these regulations is mandated by April 21, 2005. We believe we are taking appropriate measures to comply with the security regulations.

Environmental Regulations

Our health care operations generate medical waste that must be disposed of in compliance with federal, state and local environmental laws, rules and regulations. Our outpatient operations are subject to compliance with various other environmental laws, rules and regulations. Such compliance does not, and we anticipate that such compliance will not, materially affect our capital expenditures, financial position or results of operations.

Compliance Plan

We have adopted a Compliance Plan that reflects our commitment to complying with laws and regulations applicable to our business and meeting our ethical obligations in conducting our business. Our Compliance Plan encompasses a regime that we believe provides a solid framework to meet this commitment, including:

- a Chief Compliance Officer;
- a Compliance Committee consisting of our senior executives;
- our *Code of Conduct*, which is applicable to our employees, independent contractors, officers and directors;
- our *Code of Professional Conduct – Finance*, which is applicable to our finance personnel, including our chief executive officer, chief financial officer, chief accounting officer and controller;
- an organizational structure designed to integrate our compliance objectives into our corporate, regional and practice levels; and
- education, monitoring and corrective action programs designed to establish methods to promote the understanding of our Compliance Plan and adherence to its requirements.

The foundation of our Compliance Plan is our *Code of Conduct*, which is intended to be a comprehensive statement of the ethical and legal standards governing the daily activities of our employees, independent contractors, officers and directors. All our personnel are required to abide by, and are given a thorough introduction to, our *Code of Conduct*. In addition, all employees and affiliated professionals are expected to report incidents that they believe in good faith may be in violation of our *Code of Conduct*. We maintain a toll-free hotline to permit employees to report compliance concerns on an anonymous basis and a method of obtaining answers to questions about our *Code of Conduct*. Our Compliance Plan, including our *Code of Conduct*, is administered by our Chief Compliance Officer with oversight by our Chief Executive Officer and Board of Directors. We also have a Code of Professional

Conduct-Finance, which is applicable to our finance personnel, including our Chief Executive Officer, Chief Financial Officer (who is also our Chief Accounting Officer) and Controller. A copy of our Code of Conduct and our Code of Professional Conduct-Finance is available on our website, www.pediatrix.com.

GOVERNMENT INVESTIGATIONS

In June 2002, we received a written request from the FTC to submit information on a voluntary basis in connection with an investigation of issues of competition related to our May 2001 acquisition of Magella and our business practices generally. In February 2003, we received additional information requests from the FTC in the form of a Subpoena and Civil Investigative Demand. Pursuant to these requests, we produced documents and information relating to the acquisition and our business practices in certain markets. We have also provided on a voluntary basis additional information and testimony on issues related to the investigation. At this time, the investigation remains active and ongoing and we are cooperating fully with the FTC.

Beginning in April 1999, we received requests from various federal and state investigators for information relating to our billing practices for services reimbursed by Medicaid, and the United States Department of Defense's TRICARE program for military dependants and retirees. Since then, a number of the individual state investigations were resolved through agreements to refund certain overpayments and reimburse certain costs to the states. In June 2003, we were advised by a United States Attorney's Office that it was conducting a civil investigation with respect to our Medicaid billing practices nationwide. This federal Medicaid investigation, the TRICARE investigation, and related state inquiries are now being coordinated and are active and ongoing. We are cooperating fully with federal and state authorities with respect to these investigations and inquiries.

In November 2003, our maternal-fetal practice in Las Vegas, Nevada was served with a search warrant by the State of Nevada. The warrant requested information concerning Medicaid billings for maternal-fetal care provided by us in that state. We do not know the basis for the warrant or the nature of the issues relating to this investigation. We are cooperating fully with appropriate officials in the investigation.

Currently, management cannot predict the timing or outcome of any of these pending investigations and inquiries and whether they will have, individually or in the aggregate, a material adverse effect on our business, financial condition or results of operations and the trading price of our common stock.

We also expect that additional audits, inquiries and investigations from government authorities and agencies will continue to occur in the ordinary course of our business. Such audits, inquiries and investigations and their ultimate resolutions, individually or in the aggregate, could have a material adverse effect on our business, financial condition or results of operations and the trading price of our common stock.

OTHER LEGAL PROCEEDINGS

In November 2003, the United States District Court for the Southern District of Florida entered orders dismissing without prejudice five previously disclosed federal securities law class action cases, which were commenced in June and July 2003 against us, two of our executive officers and the Chairman of the Board.

In the ordinary course of our business, we have become involved as a defendant in pending and threatened legal actions and proceedings, most of which involve claims of medical malpractice related to medical services provided by our affiliated physicians. Our contracts with hospitals also generally require us to indemnify them and their affiliates for losses resulting from the negligence of our affiliated physicians. We are also subject to other lawsuits which may involve large claims and significant defense costs. We believe, based upon our review of pending actions and proceedings, that the outcome of such legal actions and proceedings will not have a material adverse effect on our business, financial condition or results of operations and the trading price of our common stock. The outcome of such actions and proceedings, however, cannot be predicted with certainty and an unfavorable resolution of one or more of them could have a material adverse effect on our business, financial condition or results of operations and the trading price of our common stock.

Although we currently maintain liability insurance coverage intended to cover medical malpractice and other claims, this coverage generally must be renewed annually and may not continue to be available to us in future years at acceptable costs and on favorable terms. In addition, we cannot assure that our insurance coverage will be adequate to cover liabilities arising out of claims asserted against us in the future where the outcomes of such claims are unfavorable to us. Liabilities in excess of our insurance coverage could have a material adverse effect on our business, financial condition and results of operations. See "Professional and General Liability Coverage".

PROFESSIONAL AND GENERAL LIABILITY COVERAGE

We maintain professional and general liability insurance policies with third-party insurers on a claims-made basis, subject to deductibles, exclusions, and other restrictions, in accordance with standard industry practice. We believe that our insurance coverage is appropriate based upon our claims experience and the nature and risks of our business. However, we cannot assure that any pending or future claim will not be successful or if successful will not exceed the limits of available insurance coverage.

Our business entails an inherent risk of claims of medical malpractice against our affiliated physicians and us. We contract and pay premiums for third-party professional liability insurance that indemnifies us and our affiliated heath care professionals on a claims-made basis for losses incurred related to medical malpractice litigation. Professional liability coverage is required in order for our affiliated physicians to maintain their hospital privileges. We self-insure our liabilities to pay deductibles under our professional liability insurance coverage through a wholly-owned captive insurance subsidiary. We record in our consolidated financial statements estimates for our liabilities for self-insured deductibles and claims incurred but not reported based on an actuarial valuation using historical loss patterns. Liabilities for claims incurred but not reported are not discounted. Because many factors can affect historical and future loss patterns, the determination of an appropriate reserve involves complex, subjective judgment, and actual results may vary significantly from estimates. If the deductibles and other amounts that we are actually required to pay materially exceed the estimates that have been reserved, our financial condition and results of operations could be materially adversely affected.

Our current professional liability insurance policy expires May 1, 2004 and we are currently reviewing our coverage options, which may include a higher self-insured retention. There can be no assurance that we will obtain substantially similar coverage upon expiration at acceptable costs and on favorable terms. Based upon current conditions in the insurance markets, we expect that our professional liability insurance premiums will increase significantly over prior periods.

EMPLOYEES AND PROFESSIONALS UNDER CONTRACT

In addition to the approximately 690 practicing physicians affiliated with us as of December 31, 2003, Pediatrix employed or contracted with approximately 479 other clinical professionals and 1,509 other full-time and part-time employees. None of our employees is a member of a labor union or subject to a collective bargaining agreement.

GEOGRAPHIC COVERAGE

We provide services in 30 states, including Alaska, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Indiana, Illinois, Iowa, Kansas, Kentucky, Maryland, Missouri, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, Washington and West Virginia, and Puerto Rico. During 2003, approximately 60% of our net patient service revenue was generated by operations in our five largest states. Our operations in Texas accounted for approximately 31% of our net patient service revenue for the same period. Although we continue to seek to diversify the geographic scope of our operations, primarily through acquisitions of physician group practices, we may not be able to implement successfully or realize the expected benefits of any of these initiatives. Adverse changes or conditions affecting markets in which our operations are concentrated, such as health care reforms, changes in laws and

regulations, reduced Medicaid reimbursements or government investigations, may have a material adverse effect on our business, financial condition and results of operations.

SERVICE MARKS

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

INFORMATION AVAILABLE ON OUR WEBSITE

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available through our Internet website, www.pediatrix.com, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (“SEC”). Our Internet website and the information contained therein or connected thereto are not incorporated into or deemed a part of this Annual Report.

RISK FACTORS

Any of the following risks could have a material adverse effect on our business, financial condition or results of operations and the trading price of our common stock.

The Federal Trade Commission or other parties may assert that our business practices violate antitrust laws.

The health care industry is highly regulated for antitrust purposes. In recent years, the FTC, the Department of Justice, and state Attorney Generals have increasingly reviewed and, in some cases, taken enforcement action against business conduct, including acquisitions, in the health care industry. We continue to be the subject of an active and ongoing investigation by the FTC relating to issues of competition in connection with our 2001 acquisition of Magella and our business practices generally. See “Government Regulation – Antitrust” and “Government Investigations”. At this time, we are unable to predict the outcome of this investigation and whether it will have a material adverse effect on our business, financial condition, or results of operations and the trading prices of our common stock.

We are subject to billing investigations by federal and state government authorities.

State and federal statutes impose substantial penalties, including civil and criminal fines, exclusion from participation in government health care programs and imprisonment, on entities or individuals (including any individual corporate officers or physicians deemed responsible) that fraudulently or wrongfully bill governmental or other third-party payors for health care services. In addition, federal laws allow a private person to bring a civil action in the name of the United States government for false billing violations. See “Government Regulation – Fraud and Abuse”. We continue to be the subject of active and ongoing investigations by federal and state authorities related to our billing practices for services reimbursed by the Medicaid program nationwide and the TRICARE program for military dependents and retirees. In November 2003, our maternal-fetal practice in Las Vegas, Nevada was served with a search warrant by the State of Nevada. The warrant requested information concerning Medicaid billings for maternal-fetal care provided by us in that state. We do not know the basis for the warrant or the nature of the issues relating to this investigation. See “Government Investigations”. We believe that additional audits, inquiries and investigations from government agencies will continue to occur from time to time in the ordinary course of our business, which could result in substantial defense costs to us and a diversion of management’s time and attention. We cannot predict whether any such pending or future audits, inquiries or investigations, or the public disclosure of such matters, will have a material adverse effect on our business, financial condition or results of operations and the trading price of our common stock.

The health care industry is highly regulated and government authorities may determine that we have failed to comply with applicable laws or regulations.

The health care industry and physicians' medical practices, including the health care and other services that we and our affiliated physicians provide, are subject to extensive and complex federal, state and local laws and regulations, compliance with which imposes substantial costs on us. In addition, we believe that our business will continue to be subject to increasing regulation, the scope and effect of which we cannot predict. See "Government Regulation". We are currently and may in the future become the subject of regulatory or other investigations or proceedings, and our interpretations of applicable laws, rules and regulations may be challenged. For example, regulatory authorities or other parties may assert that our arrangements with our affiliated professional contractors constitute fee-splitting or the corporate practice of medicine and seek to invalidate these arrangements, which could have a material adverse effect on our business, financial condition, or results of operations and the trading price of our common stock. See "Government Regulation—Fee Splitting; Corporate Practice of Medicine". Regulatory authorities or other parties also could assert that our relationships, including fee arrangements, among our affiliated professional contractors, hospital clients and physicians violate the anti-kickback or self-referral laws and regulations. See "Government Regulation—Fraud and Abuse Provisions" and "—Government Reimbursement Requirements". Such investigations, proceedings and challenges could result in substantial defense costs to us and a diversion of management's time and attention. In addition, violations of these laws are punishable by monetary fines, civil and criminal penalties, exclusion from participation in government-sponsored health care programs, and forfeiture of amounts collected in violation of such laws and regulations, any of which could have a material adverse effect on our business, financial condition, or results of operations and the trading price of our common stock.

Government programs or private insurers may limit, reduce or make retroactive adjustments to reimbursement amounts or rates.

A significant portion of our net patient revenue in 2003 was derived from payments made by government-sponsored health care programs, principally Medicaid. These government programs, as well as private insurers, have taken and may continue to take steps, including a movement toward managed care, to control the cost, use and delivery of health care services as a result of budgetary constraints, cost containment pressures and other reasons described above under "Government Regulation—Government Reimbursement Requirements". As a result, payments from government programs or private payors may decrease significantly. Our business could be materially affected by limitations of or reductions in reimbursement amounts or rates under these programs or elimination of coverage for certain individuals or treatments under these programs. Moreover, because these programs generally provide for reimbursements on a fee schedule basis rather than on a charge-related basis, we generally cannot increase our revenues by increasing the amount we charge for our services. To the extent our costs increase, we may not be able to recover our increased costs from these programs and cost containment measures and market changes in non-governmental insurance plans have generally restricted our ability to recover, or shift to non-governmental payors, these increased costs. In addition, funds we receive from third-party payors, including these programs, are subject to audit with respect to the proper billing for physician and ancillary services and, accordingly, our revenue from these programs may be adjusted retroactively.

Our affiliated physicians may not appropriately record or document services they provide.

Our affiliated physicians are responsible for assigning reimbursement codes and maintaining sufficient supporting documentation for the services they provide. We use this information to seek reimbursement for their services from third-party payors. If these physicians do not appropriately code or document their services, our financial condition and results of operations could be adversely affected.

We may not find suitable acquisition candidates or successfully integrate our acquisitions.

We have expanded and intend to continue to seek to expand our presence in new and existing markets by acquiring established neonatal and maternal-fetal physician practice groups and other complementary pediatric subspecialty physician groups, such as pediatric intensivists, pediatric cardiologists and pediatric hospitalists. We also intend to explore other strategic opportunities that are clinically related to our physician and newborn screening

services and in areas within health care that would allow us to leverage our current business expertise. However, our acquisition strategy involves numerous risks and uncertainties, including:

- We may not be able to identify suitable acquisition candidates or diversification opportunities or implement successfully or realize the expected benefits of any suitable opportunities. In addition, we compete for acquisitions with other potential acquirers, some of which have greater financial or operational resources than we do. This competition may intensify due to the ongoing consolidation in the health care industry, which may increase our acquisition costs.

- We may not be able to successfully integrate completed acquisitions, including our recent acquisitions. Integrating completed acquisitions into our existing operations involves numerous short-term and long-term risks, including diversion of our management's attention, failure to retain key personnel, long-term value of acquired intangible assets and acquisition expenses. In addition, we may be required to comply with laws and regulations that may differ from those of the states in which our operations are currently conducted.

- We cannot be certain that any acquired business will continue to maintain its pre-acquisition revenues and growth rates or be financially successful. In addition, we cannot be certain of the extent of any unknown or contingent liabilities of any acquired business, including liabilities for failure to comply with applicable laws. We may incur material liabilities for past activities of acquired businesses to the extent we are not indemnified by prior owners.

- We could incur or assume indebtedness and issue equity in connection with acquisitions. The issuance of shares of our common stock for an acquisition may result in dilution to our existing shareholders and, depending on the number of shares that we issue, the resale of such shares could affect the trading price of our common stock.

Federal and state laws that protect the privacy of patient health information may increase our costs and limit our ability to collect and use that information.

Numerous federal and state laws and regulations govern the collection, dissemination, use and confidentiality of patient-identifiable health information, including the federal Health Insurance Portability and Accountability Act of 1996 and related rules, or HIPAA. As part of our medical record keeping, third-party billing, research and other services, we collect and maintain patient health information. New patient health information standards, whether implemented pursuant to HIPAA, congressional action or otherwise, could have a significant effect on the manner in which we handle health care-related data and communicate with payors, and compliance with these standards could impose significant costs on us or limit our ability to offer services, thereby negatively impacting the business opportunities available to us. If we do not comply with existing or new laws and regulations related to patient health information we could be subject to monetary fines, civil penalties or criminal sanctions.

There may be federal and state health care reform, or changes in the interpretation of government-sponsored health care programs.

Federal and state governments have recently focused significant attention on health care reform. In recent years, many legislative proposals have been introduced or proposed in Congress and some state legislatures that would effect major changes in the health care system. Among the proposals which are being or have been considered are cost controls on hospitals, insurance reforms and the creation of a single government health plan that would cover all citizens. We cannot predict which, if any, proposal that has been or will be considered will be adopted or what effect any future legislation will have on us. Changes in healthcare laws or regulations could reduce our revenue, impose additional costs on us, or affect our opportunities for continued growth.

We may not be able to successfully recruit and retain qualified physicians to serve as affiliated physicians or independent contractors.

We are dependent upon our ability to recruit and retain a sufficient number of qualified physicians to service existing units at hospitals and to expand our business. We compete with many types of health care providers,

including teaching, research and government institutions and other practice groups, for the services of qualified physicians. We may not be able to continue to recruit new physicians or renew contracts with existing physicians on acceptable terms. If we do not do so, our ability to service existing or new hospital units could be adversely affected.

A significant number of our affiliated physicians could leave our affiliated practices or our affiliated professional contractors may be unable to enforce the non-competition covenants of departed physicians.

Our affiliated professional contractors usually enter into employment agreements with our affiliated physicians which typically can be terminated without cause by any party upon prior written notice. In addition, substantially all of our affiliated physicians have agreed not to compete within a specified geographic area for a certain period after termination of employment. Although we believe that the non-competition covenants of our affiliated physicians are reasonable in scope and duration and therefore enforceable under applicable state law, if a substantial number of our affiliated physicians leave our affiliated practices or our affiliated professional contractors are unable to enforce the non-competition covenants in the employment agreements, our business, financial condition and results of operations could be materially adversely affected. We cannot predict whether a court or arbitration panel would enforce these covenants.

We may be subject to medical malpractice and other lawsuits not covered by insurance.

Our business entails an inherent risk of claims of medical malpractice against our affiliated physicians and us. We may also be subject to other lawsuits which may involve large claims and significant defense costs. Although we currently maintain liability insurance coverage intended to cover professional liability and other claims, we cannot assure you that our insurance coverage will be adequate to cover liabilities arising out of claims asserted against us where the outcomes of such claims are unfavorable to us. In addition, this insurance coverage generally must be renewed annually and may not continue to be available to us in future years at acceptable costs and on favorable terms. Liabilities in excess of our insurance coverage could have a material adverse effect on our business, financial condition or results of operations and the trading price of our common stock. See “Other Legal Proceedings” and “Professional and General Liability Coverage”.

We may write-off intangible assets, such as goodwill.

Our intangible assets, which consist primarily of goodwill, are subject to annual impairment testing. Under current accounting standards, goodwill is tested for impairment on an annual basis and we may be subject to impairment losses as circumstances after an acquisition change. If we record an impairment loss related to our goodwill, it could have a material adverse effect on our results of operations for the year in which the impairment is recorded.

We may not effectively manage our growth.

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

We may not be able to maintain effective and efficient information systems.

Our operations are dependent on uninterrupted performance of our information systems. Failure to maintain reliable information systems or disruptions in our information systems could cause disruptions in our business operations, including errors and delays in billings and collections, difficulty satisfying requirements under hospital contracts, disputes with patients and payors, violations of patient privacy and confidentiality requirements and other regulatory requirements, increased administrative expenses and other adverse consequences, any or all of which could have a material adverse effect on us.

Our quarterly results will likely fluctuate from period to period.

We have historically experienced and expect to continue to experience quarterly fluctuations in net patient service revenue and net income. For example, we typically experience negative cash flow from operations in the first quarter of each year, principally as a result of bonus payments to affiliated physicians. In addition, a significant number of our employees and associated professional contractors (primarily affiliated physicians) exceed the level of taxable wages for social security during the first and second quarters. As a result, we incur a significantly higher payroll tax burden and our net income is lower during those quarters. Moreover, a lower number of calendar days are present in the first and second quarters of the year as compared to the remainder of the year. Because we provide services in the NICU on a 24 hour basis, 365 days a year, any reduction in service days will have a corresponding reduction in net patient service revenue. We also have significant fixed operating costs, including costs for our affiliated physicians, and as a result are highly dependent on patient volume and capacity utilization of our affiliated physicians to sustain profitability. Quarterly results may also be impacted by the timing of acquisitions and any fluctuation in patient volume. As a result, our results of operations for any quarter are not indicative of results of operations for any future period or full year.

The value of our common stock may fluctuate.

There has been significant volatility in the market price of our common stock and securities of health care companies generally that we believe in many cases has been unrelated to operating performance. In addition, we believe that certain factors, such as legislative and regulatory developments, including announced regulatory investigations, quarterly fluctuations in our actual or anticipated results of operations, lower revenues or earnings than those anticipated by securities analysts, and general economic and financial market conditions, could cause the price of our common stock to fluctuate substantially.

We may not be able to collect reimbursements for our services from third-party payors in a timely manner.

A significant portion of our net patient service revenue is derived from reimbursements from various third-party payors, including government-sponsored health care plans, private insurance plans and managed care plans, for services provided by our affiliated professional contractors. We are responsible for submitting reimbursement requests to these payors and collecting the reimbursements, and assume the financial risks relating to uncollectible and delayed reimbursements. In the current health care environment, we may continue to experience difficulties in collecting reimbursements because third-party payors may seek to reduce, by appeal or otherwise, or delay reimbursements to which we are entitled for services that our affiliated physicians have provided. If we are not reimbursed fully and in a timely manner for such services, our revenues could be adversely affected.

Hospitals may terminate their agreements with us, our physicians may lose the ability to provide services in hospitals or administrative fees paid to us by hospitals may be reduced.

Our net patient service revenue is derived primarily from fee-for-service billings for patient care provided within hospital units by our affiliated physicians and from administrative fees paid to us by hospitals. See “Relationships with Our Partners—Hospitals”. Our hospital partners may cancel or not renew their contracts with us or they may reduce or eliminate our administrative fees in the future. To the extent that our arrangements with our hospital partners are canceled, or are not renewed or replaced with other arrangements having at least as favorable terms, our business, financial condition and results of operations could be adversely affected. In addition, to the extent our affiliated physicians lose their privileges in hospitals or hospitals enter into arrangements with other physicians, our business, financial condition and results of operations could be adversely affected.

Our industry is already competitive and could become more competitive.

The health care industry is highly competitive and subject to continual changes in the methods by which services are provided and the manner in which health care providers are selected and compensated. Because our operations consist primarily of physician services provided within hospital-based units, primarily NICUs, we compete with other health care services companies and physician groups for contracts with hospitals to provide our services to patients. We also face competition from hospitals themselves to provide our services. Companies in other health care industry segments, some of which have greater financial and other resources than ours, may become competitors in providing neonatal, maternal-fetal and pediatric subspecialty care. We may not be able to continue to compete effectively in this

industry, additional competitors may enter our markets, and this increased competition may have an adverse effect on our business, financial condition or results of operations.

Unfavorable changes or conditions could occur in the geographic areas where our operations are concentrated.

A majority of our net patient service revenue in 2003 was generated by our operations in five states. In particular, Texas accounted for approximately 31% of our net patient service revenue in 2003. See "Geographic Coverage". Adverse changes or conditions affecting these particular markets, such as health care reforms, changes in laws and regulations, reduced Medicaid reimbursements and government investigations, may have a material adverse effect on our financial condition and results of operations.

We are dependent upon our key management personnel for our future success.

Our success depends to a significant extent on the continued contributions of our key management personnel, including our President and Chief Executive Officer, Roger J. Medel, M.D., for the management of our business and implementation of our business strategy. The loss of Dr. Medel or other key management personnel could have a material adverse effect on our business, financial condition or results of operations and the trading price of our common stock.

Our currently outstanding preferred stock purchase rights could deter takeover attempts.

We have adopted a preferred share purchase rights plan, under which each outstanding share of our common stock includes a preferred stock purchase right entitling the registered holder, subject to the terms of our rights agreement, to purchase from us a one-thousandth of a share of our series A junior participating preferred stock at an initial exercise price of $150. If a person or group of persons acquires, or announces a tender offer or exchange offer which if consummated would result in the acquisition of, beneficial ownership of 15% or more of the outstanding shares of our common stock, each right will entitle its holder (other than the person or persons acquiring 15% or more of our common stock) to purchase $300 worth of our common stock for $150. Some provisions contained in our rights agreement may have the effect of discouraging a third-party from making an acquisition proposal for Pediatrix and may thereby inhibit a change in control. For example, such provisions may deter tender offers for our shares, which offers may be attractive to shareholders, or deter purchases of large blocks of common stock, thereby limiting the opportunity for shareholders to receive a premium for their shares over the then-prevailing market prices.

Provisions of our articles and bylaws could deter takeover attempts.

Our amended and restated articles of incorporation authorize our board of directors to issue up to 1,000,000 shares of undesignated preferred stock and to determine the powers, preferences and rights of these shares, without shareholder approval. This preferred stock could be issued with voting, liquidation, dividend and other rights superior to those of the holders of common stock. The issuance of preferred stock under some circumstances could have the effect of delaying, deferring or preventing a change in control. In addition, provisions in our amended and restated bylaws, including those relating to calling shareholder meetings, taking action by written consent and other matters, could render it more difficult or discourage an attempt to obtain control of Pediatrix through a proxy contest or consent solicitation. These provisions could limit the price that some investors might be willing to pay in the future for our shares of common stock.

ITEM 2. PROPERTIES

Our corporate office building is located in Sunrise, Florida and contains approximately 80,000 square feet of office space. During 2003, we purchased our corporate office building which was previously leased under an operating lease agreement, and we leased space in other facilities in various states for our business and medical offices, storage space and temporary housing of medical staff having an aggregate annual rent of approximately $6,650,000. See Note 9 to our Consolidated Financial Statements included in Item 8 of this Annual Report. We

believe that our facilities and equipment are in good condition in all material respects and sufficient for our present needs.

ITEM 3. LEGAL PROCEEDINGS

The information required by this Item is included in Item I of this Annual Report under “Government Investigations” and “Other Legal Proceedings”.

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

No matter was submitted to a vote of security holders during the three months ended December 31, 2003.

PART II

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

Price Range of Common Stock

Our common stock is traded on the New York Stock Exchange (the “NYSE”) under the symbol “PDX”. The high and low sales price for a share of our common stock for each quarter during our last two fiscal years is set forth below, as reported in the NYSE consolidated transaction reporting system:

	High	Low
2002		
First Quarter	$42.44	$33.00
Second Quarter	48.60	22.74
Third Quarter	34.75	21.70
Fourth Quarter	42.00	31.25
2003		
First Quarter	$41.95	$23.04
Second Quarter	42.90	24.60
Third Quarter	48.84	35.85
Fourth Quarter	57.25	45.94

As of March 8, 2004, we had approximately 85 holders of record of our common stock, and the closing sales price on that date for our common stock was $61.24 per share. We believe that the number of beneficial owners of our common stock is substantially greater than the number of record holders because a significant number of shares of our common stock is held of record through brokerage firms in “street name”.

Dividend Policy

We did not declare or pay any cash dividends on our common stock in 2002 or 2003, nor do we currently intend to declare or pay any cash dividends in the future, because we intend to retain all earnings for the operation and expansion of our business. The payment of any future dividends will be at the discretion of our Board of Directors and will depend upon, among other things, future earnings, results of operations, capital requirements, our general financial condition, general business conditions and contractual restrictions on payment of dividends, if any, as well as such other factors as our Board of Directors may deem relevant. Our revolving line of credit restricts our ability to declare and pay cash dividends. See Item 7 of this Annual Report under “Liquidity and Capital Resources.”

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data set forth as of and for each of the five years in the period ended December 31, 2003, have been derived from our audited Consolidated Financial Statements. The following data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our Consolidated Financial Statements and the related notes included in Items 7 and 8, respectively, of this Annual Report.

	Years Ended December 31,				
	1999	2000	2001	2002	2003
	(in thousands, except per share and other operating data)				
Consolidated Income Statement Data:					
Net patient service revenue(1)(2)	$227,042	$243,075	$354,595	$465,481	$551,197
Operating expenses:					
Practice salaries and benefits	126,972	148,476	197,581	263,165	310,778
Practice supplies and other operating expenses	9,341	11,022	14,297	15,791	18,588
General and administrative expenses	33,655	44,895	62,841	68,315	76,537
Depreciation and amortization	12,068	13,810	21,437	6,135	8,405
Total operating expenses	182,036	218,203	296,156	353,406	414,308
Income from operations	45,006	24,872	58,439	112,075	136,889
Investment income	296	358	309	818	482
Interest expense	(2,697)	(3,771)	(2,538)	(1,156)	(1,372)
Income before income taxes	42,605	21,459	56,210	111,737	135,999
Income tax provision	17,567	10,473	25,782	42,961	51,671
Net income	$ 25,038	$ 10,986	$ 30,428	$ 68,776	$ 84,328
Per Share Data:					
Net income per common share:					
Basic	$ 1.61	$ 0.70	$ 1.44	$ 2.68	$ 3.55
Diluted	$ 1.58	$ 0.68	$ 1.36	$ 2.58	$ 3.43
Weighted average shares used in computing net income per common share:					
Basic	15,513	15,760	21,159	25,622	23,742
Diluted	15,860	16,053	22,478	26,629	24,577

ITEM 6. SELECTED FINANCIAL DATA, Continued

	Years Ended December 31,				
	1999	2000	2001	2002	2003
	(in thousands, except per share and other operating data)				
Other Operating Data:					
Number of physicians at end of period	434	452	588	622	690
Number of births	337,480	381,602	450,205	501,832	522,612
NICU admissions	33,942	39,272	48,186	55,121	57,239
NICU patient days	548,064	637,957	804,293	983,733	1,087,753
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 825	$ 3,075	$ 27,557	$ 73,195	$ 27,896
Working capital (deficit)(3)	(16,352)	2,108	34,381	79,555	24,512
Total assets	334,790	324,734	573,099	648,679	717,594
Total liabilities	105,903	82,834	94,247	100,681	145,216
Borrowings under line of credit	48,393	23,500	—	—	—
Long-term debt and capital lease obligations, including current maturities	2,350	—	3,206	2,489	1,864
Shareholders' equity	228,887	241,900	478,852	547,998	572,378

(1) The Company adds new physician practices as a result of acquisitions and the addition of new hospital contracts. In addition, the Company acquired an independent laboratory specializing in newborn metabolic screening in May 2003. The increase in net patient service revenue related to acquisitions (including our acquisition of Magella in May 2001) and the addition of new hospital contracts was approximately $49.5 million, $13.9 million, $86.6 million, $69.8 million and $30.1 million for the years ended December 31, 1999, 2000, 2001, 2002 and 2003, respectively.

(2) Net patient service revenue for the year ended December 31, 2000, included a charge of $6.5 million, which was recorded during the three months ended June 30, 2000, to increase the allowance for contractual adjustments and uncollectible accounts.

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

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

The following discussion highlights the principal factors that have affected our financial condition and results of operations as well as our liquidity and capital resources for the periods described. This discussion should be read in conjunction with our Consolidated Financial Statements and the related notes included in Item 8 of this Annual Report. This discussion contains forward-looking statements. Please see Item 1 of this Annual Report, including the section entitled "Risk Factors", for a discussion of the uncertainties, risks and assumptions associated with these forward-looking statements. The operating results for the periods presented were not significantly affected by inflation.

OVERVIEW

Pediatrix is the nation's largest health care services company focused on physician services for newborn, maternal-fetal and other pediatric subspecialty care. Our national network is comprised of 690 affiliated physician specialists, including 540 neonatal physicians, who provide clinical care in 30 states and Puerto Rico, primarily within hospital-based neonatal intensive care units (NICUs) to babies born prematurely or with medical complications. Our affiliated neonatal physician specialists staff and manage clinical activities at more than 200 NICUs, and our 81 affiliated maternal-fetal medicine subspecialists provide care to expectant mothers experiencing complicated pregnancies in many areas where our neonatal physicians practice. Our network includes other pediatric subspecialists, including 33 pediatric intensivists, 20 pediatric cardiologists and 16 pediatric hospitalists. In addition, we believe that Pediatrix is the nation's largest provider of hearing screens to newborns and the nation's largest private provider of metabolic screening services to newborns.

During 2003, we completed the acquisition of an independent laboratory specializing in newborn metabolic screening. Additionally, we acquired seven physician group practices, consisting of four neonatal groups, two pediatric cardiology practices and one pediatric intensive care unit. We also added four NICU practices through new hospital contracts.

Geographic Coverage and Payor Mix

During 2001, 2002 and 2003, approximately 59%, 62% and 60%, respectively, of our net patient service revenue was generated by operations in our five largest states. Over those same periods, our operations in Texas accounted for approximately 29%, 33% and 31% of our net patient service revenue. Although we continue to seek to diversify the geographic scope of our operations, primarily through acquisitions of physician group practices, we may not be able to implement successfully or realize the expected benefits of any of these initiatives. Adverse changes or conditions affecting markets in which our operations are concentrated, such as health care reforms, changes in laws and regulations, reduced Medicaid reimbursements, or government investigations, may have a material adverse effect on our business, financial condition and results of operations.

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

Our payor mix is comprised of government (principally Medicaid), contracted managed care, other third parties and private pay patients. We benefit from the fact that most of the medical services provided in the NICU or PICU are classified as emergency services, a category typically classified as a covered service by managed care payors. In addition, we benefit when patients are covered by Medicaid, despite Medicaid's lower reimbursement rates as compared with other payors, because typically these patients would not otherwise be able to pay for services due to lack of insurance coverage. However, a significant increase in the government component of our payor mix at the expense of other third-party payors could result in a reduction in our average reimbursement rates and in the absence of increased patient volume or improved reimbursement from contracted managed care or other third parties, could have a material adverse effect on our business, financial condition and results of operations. The

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

	Years Ended December 31,		
	2001	2002	2003
Government	23%	23%	25%
Contracted managed care	49%	55%	58%
Other third parties	27%	21%	16%
Private pay patients	1%	1%	1%
	100%	100%	100%

The payor mix shown above is not necessarily representative of the amount of services provided to patients covered under these plans. For example, services provided to patients covered under government programs represented approximately 48% of our total gross patient service revenue but only 25% of our net patient service revenue during 2003.

Quarterly Results

The following table presents certain unaudited quarterly financial data for each of the quarters in the years ended December 31, 2002 and 2003. This information has been prepared on the same basis as our Consolidated Financial Statements contained in Item 8 of this Annual Report and includes, in our opinion, all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the quarterly results when read in conjunction with our Consolidated Financial Statements and the related notes. We have historically experienced and expect to continue to experience quarterly fluctuations in net patient service revenue and net income. These fluctuations are primarily due to the following factors:

- A significant number of our employees and our associated professional contractors, primarily physicians, exceed the level of taxable wages for social security during the first and second quarters of the year. As a result, we incur a significantly higher payroll tax burden and our net income is lower during those quarters.

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

We have significant fixed operating costs, including physician costs, and, as a result, are highly dependent on patient volume and capacity utilization of our affiliated professional contractors to sustain profitability. Additionally, quarterly results may be impacted by the timing of acquisitions and fluctuations in patient volume. As a result, the operating results for any quarter are not necessarily indicative of results for any future period or for the full year.

	2002 Quarters				2003 Quarters			
	First	Second	Third	Fourth	First	Second	Third	Fourth
	(in thousands, except for per share data)							
Net patient service revenue	$107,282	$116,223	$122,502	$119,474	$126,200	$133,701	$145,514	$145,782
Operating expenses:								
Practice salaries and benefits	62,534	65,183	68,232	67,216	74,616	75,648	80,196	80,318
Practice supplies and other operating expenses	3,489	3,954	3,997	4,351	4,065	4,718	4,778	5,027
General and administrative expenses	17,572	17,740	17,483	15,520	18,301	19,006	19,843	19,387
Depreciation and amortization	1,465	1,463	1,520	1,687	1,650	1,903	2,495	2,357
Total operating expenses	85,060	88,340	91,232	88,774	98,632	101,275	107,312	107,089
Income from operations	22,222	27,883	31,270	30,700	27,568	32,426	38,202	38,693
Other expense, net	(130)	(65)	(67)	(76)	(151)	(354)	(341)	(44)
Income before income taxes	22,092	27,818	31,203	30,624	27,417	32,072	37,861	38,649
Income tax provision	8,616	10,851	11,857	11,637	10,418	12,187	14,388	14,678
Net income	$ 13,476	$ 16,967	$ 19,346	$ 18,987	$ 16,999	$ 19,885	$ 23,473	$ 23,971
Per share data:								
Net income per common and common equivalent share:								
Basic	$ .53	$ .64	$ .75	$ .75	$ .70	$ .84	$ 1.01	$ 1.02
Diluted	$ .51	$ .62	$ .73	$ .73	$ .68	$ .82	$ .97	$ .97

Application of Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires estimates and assumptions that affect the reporting of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Note 2 to our Consolidated Financial Statements provides a summary of our significant accounting policies, which are all in accordance with generally accepted accounting policies in the United States. Certain of our accounting policies are critical to understanding our Consolidated Financial Statements because their application requires management to make assumptions about future results and depends to a large extent on management's judgment, because past results have fluctuated and are expected to continue to do so in the future.

We believe that the application of the accounting policies described in the following paragraphs are highly dependent on critical estimates and assumptions that are inherently uncertain and highly susceptible to change. For all these policies, we caution that future events rarely develop exactly as estimated, and the best estimates routinely require adjustment. On an ongoing basis, we evaluate our estimates and assumptions, including those discussed below.

Revenue Recognition

We recognize patient service revenue at the time services are provided by our affiliated physicians. Patient service revenue is presented net of an estimated provision for contractual adjustments and uncollectibles. Management estimates allowances for contractual adjustments and uncollectibles on accounts receivable based on historical and other factors, including an evaluation of expected adjustments and delinquency rates, past adjustment and collection experience in relation to amounts billed, current economic conditions and other relevant information. Contractual adjustments result from the difference between the physician rates for services performed and reimbursements by government-sponsored health care programs and insurance companies for such services. The evaluation of these historical and other factors involves complex, subjective judgments. Our Consolidated Financial Statements may be materially and adversely affected if actual adjustments and uncollectibles exceed management's estimated provision as a result of changes in these factors.

Professional Liability Coverage

We maintain professional liability insurance policies with third-party insurers on a claims-made basis, subject to deductibles, exclusions and other restrictions. We self-insure our liabilities to pay deductibles under our professional liability insurance coverage through a wholly-owned captive insurance subsidiary. We record a liability for self-insured deductibles and an estimate of liabilities for claims incurred but not reported based on an actuarial valuation using historical loss patterns. An inherent assumption in such estimates is that historical loss patterns can be used to predict future patterns with reasonable accuracy. Because many factors can affect historical and future loss patterns, the determination of an appropriate reserve involves complex, subjective judgment, and actual results may vary significantly from estimates. Insurance liabilities are necessarily based on estimates including claim frequency and severity as well as health care inflation. Liabilities for claims incurred but not reported are not discounted.

Goodwill

We record acquired assets and liabilities at their respective fair values, recording to goodwill the excess of cost over the fair value of the net assets acquired, including identifiable intangible assets. Goodwill related to acquisitions completed prior to July 1, 2001 was amortized through the year ended December 31, 2001 on a straight-line basis over 25 years. In accordance with the provisions of Statement of Financial Accounting Standards, No. 142 ("FAS 142"), "Goodwill and Other Intangible Assets," no goodwill amortization was recorded for the years ended December 31, 2002 and 2003. See Note 2 to our Consolidated Financial Statements included in Item 8 of this Annual Report.

We test goodwill for impairment at an operating segment level, known as a reporting unit, on at least an annual basis using a two-step test. The first step compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, a second step is performed to

determine the amount of any impairment loss. We use income and market-based valuation approaches to determine the fair value of our reporting units. These approaches focus on discounted cash flows and market multiples to derive the fair value of a reporting unit. We also consider the economic outlook for the healthcare services industry and various other factors during the testing process, including hospital and physician contract changes, local market developments, changes in third-party payor payments, and other publicly-available information.

Other Matters

Other significant accounting policies, not involving the same level of measurement uncertainties as those discussed above, are nevertheless important to an understanding of our Consolidated Financial Statements. For example, our Consolidated Financial Statements are presented on a consolidated basis with our affiliated professional associations, corporations and partnerships ("affiliated professional contractors") because we or one of our subsidiaries have entered into management agreements with our affiliated professional contractors meeting the criteria set forth in the Emerging Issues Task Force Issue 97-2 for a "controlling financial interest". Our management agreements are further described in Note 2 to our Consolidated Financial Statements included in Item 8 of this Annual Report. The policies described in Note 2 often require difficult judgments on complex matters that are often subject to multiple sources of authoritative guidance and such matters are among topics currently under reexamination by accounting standards setters and regulators. Although no specific conclusions reached by these standard setters and regulators appear reasonably likely to cause a material change in our accounting policies, outcomes cannot be predicted with certainty.

Government Investigations

In June 2002, we received a written request from the FTC to submit information on a voluntary basis in connection with an investigation of issues of competition related to our May 2001 acquisition of Magella and our business practices generally. In February 2003, we received additional information requests from the FTC in the form of a Subpoena and Civil Investigative Demand. Pursuant to these requests, we produced documents and information relating to the acquisition and our business practices in certain markets. We have also provided on a voluntary basis additional information and testimony on issues related to the investigation. At this time, the investigation remains active and ongoing and we are cooperating fully with the FTC.

Beginning in April 1999, we received requests from various federal and state investigators for information relating to our billing practices for services reimbursed by Medicaid and the United States Department of Defense's TRICARE program for military dependants and retirees. Since then, a number of the individual state investigations were resolved through agreements to refund certain overpayments and reimburse certain costs to the states. In June 2003, we were advised by a United States Attorney's Office that it was conducting a civil investigation with respect to our Medicaid billing practices nationwide. This federal Medicaid investigation, the TRICARE investigation, and related state inquiries are now being coordinated and are active and ongoing. We are cooperating fully with federal and state authorities with respect to these investigations and inquiries.

In November 2003, our maternal-fetal practice in Las Vegas, Nevada was served with a search warrant by the State of Nevada. The warrant requested information concerning Medicaid billings for maternal-fetal care provided by us in that state. We do not know the basis for the warrant or the nature of the issues relating to this investigation. We are cooperating fully with appropriate officials in this investigation.

Currently management remains unable to predict the timing or the outcome of these investigations and inquiries and whether they will have, individually or in the aggregate, a material adverse effect on our business, financial condition or results of operations and the trading price of our common stock.

RESULTS OF OPERATIONS

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

	Years Ended December 31,		
	2001	2002	2003
Net patient service revenue	100%	100%	100%
Operating expenses:			
Practice salaries and benefits	55.7	56.5	56.4
Practice supplies and other operating expenses	4.1	3.4	3.4
General and administrative expenses	17.7	14.7	13.9
Depreciation and amortization	6.0	1.3	1.5
Total operating expenses	83.5	75.9	75.2
Income from operations	16.5	24.1	24.8
Other expense, net	(.6)	(.1)	(.1)
Income before income taxes	15.9	24.0	24.7
Income tax provision	7.3	9.2	9.4
Net income	8.6%	14.8%	15.3%

Year Ended December 31, 2003 as Compared to Year Ended December 31, 2002

Our net patient service revenue increased $85.7 million, or 18.4%, to $551.2 million for the year ended December 31, 2003, as compared to $465.5 million for the same period in 2002. Of this $85.7 million increase, $30.1 million, or 35.1%, was primarily attributable to revenue generated from acquisitions completed during 2002 and 2003 and the addition of new hospital contracts. During 2003, we increased the pace of acquisitions with the addition of seven group practices and a metabolic screening laboratory. Same unit patient service revenue increased $55.6 million, or 12.4%, for the year ended December 31, 2003. The increase in same unit net patient service revenue was primarily the result of: (i) changes in reimbursement for our services due to modifications to billing codes implemented by the American Medical Association in early 2003; (ii) an increase in neonatal intensive care patient days of 4.2%; (iii) modest price increases implemented on January 1, 2003, (iv) increased revenue from volume growth in maternal-fetal services and other services including hearing screens and newborn nursery services provided at existing practices; and (v) improved managed care contracting processes. The American Medical Association modified neonatal codes in 2003 to more closely align such codes with the services provided. Same units are those units at which we provided services for the entire current period and the entire comparable prior period.

Practice salaries and benefits increased $47.6 million, or 18.1%, to $310.8 million for the year ended December 31, 2003, as compared to $263.2 million for the same period in 2002. The increase was attributable to: (i) costs associated with new physicians and other staff to support acquisition-related growth and volume growth at existing units; (ii) an increase in incentive compensation as a result of same unit growth and operational improvements at the physician practice level; and (iii) an increase in professional liability and group health insurance costs. We continue to realize a significant growth in physician incentive compensation as many of our affiliated physicians participate in a performance-based incentive program. We believe that this program has positively impacted our retention and recruitment of physicians. During 2003, the Company recorded approximately $54.0 million in physician incentive compensation expense compared to approximately $36.3 million in 2002.

Practice supplies and other operating expenses increased $2.8 million, or 17.7%, to $18.6 million for the year ended December 31, 2003, as compared with $15.8 million for the same period in 2002. The increase was attributable to supply and other operating costs related to acquired and new units at which we provide services and our recent acquisition of a metabolic screening laboratory.

General and administrative expenses include all salaries, benefits, supplies and other operating expenses not specifically related to the day-to-day operations of our physician group practices, including billing and collection

functions. General and administrative expenses increased $8.2 million, or 12.0%, to $76.5 million for the year ended December 31, 2003, as compared to $68.3 million for the same period in 2002. This $8.2 million increase was primarily due to: (i) salaries and benefits as a result of the continued growth of the Company, (ii) increased professional and consulting fees, (iii) increased legal fees due to government investigations, and (iv) increased insurance costs. General and administrative expenses for the year ended December 31, 2002 include settlement costs of $1.3 million related to a Colorado Medicaid investigation.

Depreciation and amortization expense increased by $2.3 million, or 37.0%, to $8.4 million for the year ended December 31, 2003, as compared to $6.1 million for the same period in 2002. This $2.3 million increase is attributable to: (i) amortization of identifiable intangible assets related to our acquisitions; (ii) depreciation related to the purchase of computer hardware and software, furniture, equipment and improvements at our corporate headquarters and regional offices; and (iii) depreciation related to our corporate offices, which we purchased in September 2003 for approximately $10.1 million.

Income from operations increased $24.8 million, or 22.1%, to $136.9 million for the year ended December 31, 2003, as compared with $112.1 million for the same period in 2002. Our operating margin increased 0.7 percentage points to 24.8% for the year ended December 31, 2003, as compared to 24.1% for the same period in 2002. The increase in operating margin is directly attributable to a reduction in general and administrative expenses as a percent of revenue.

We recorded net interest expense (investment income less interest expense) of $890,000 for the year ended December 31, 2003, as compared with net interest expense of $338,000 for the same period in 2002. The increase in net interest expense is primarily due to the use of cash on hand and borrowings under our line of credit to fund acquisitions and repurchase shares of our common stock under repurchase programs approved by our Board of Directors. See “Liquidity and Capital Resources.”

Our effective income tax rates were 38.0% and 38.4% for the years ended December 31, 2003 and 2002, respectively.

Net income increased to $84.3 million for the year ended December 31, 2003, as compared to $68.8 million for the same period in 2002.

Diluted net income per common and common equivalent share was $3.43 on weighted average shares of 24.6 million for the year ended December 31, 2003, as compared to $2.58 on weighted average shares of 26.6 million for the same period in 2002. The net decrease in weighted average shares outstanding was due to the weighted average impact of approximately 4.7 million shares purchased under our repurchase programs, offset in part by an increase in outstanding shares due to stock option exercises and shares issued under our employee stock purchase plans.

Year Ended December 31, 2002 as Compared to Year Ended December 31, 2001

Our net patient service revenue increased $110.9 million, or 31.3%, to $465.5 million for the year ended December 31, 2002, as compared with $354.6 million for the same period in 2001. Of this $110.9 million increase, $69.8 million, or 62.9%, was attributable to acquired and new units at which we provide services, including units that were added in connection with our acquisition of Magella in May 2001. Same unit patient service revenue increased $41.1 million, or 15.6%, for the year ended December 31, 2002. The increase in same unit net patient service revenue was primarily the result of: (i) modest price increases implemented on June 1, 2001; (ii) improved collection rates; (iii) an increase in patient days of 5.5%; (iv) improved managed care contracting processes; and (v) increased revenue from new services provided in existing practices. Same units are those units at which we provided services for the entire current period and the entire comparable period.

Practice salaries and benefits increased $65.6 million, or 33.2%, to $263.2 million for the year ended December 31, 2002, as compared with $197.6 million for the same period in 2001. The increase was attributable to: (i) costs associated with new physicians and other clinical staff as a result of our acquisition of Magella and to support new unit growth and volume growth at existing units; (ii) an increase in incentive compensation as a result

of same unit growth and operational improvements at the physician practice level; and (iii) an increase in professional liability insurance costs.

Practice supplies and other operating expenses increased $1.5 million, or 10.5%, to $15.8 million for the year ended December 31, 2002, as compared with $14.3 million for the same period in 2001. The increase was attributable to new units at which we provide services, including units that were obtained in connection with the acquisition of Magella.

General and administrative expenses include all salaries, benefits, supplies and other operating expenses not specifically related to the day-to-day operations of our physician group practices, including billing and collection functions. General and administrative expenses increased $5.5 million, or 8.7%, to $68.3 million for the year ended December 31, 2002, as compared to $62.8 million for the same period in 2001. This $5.5 million increase was primarily due to: (i) increased costs for services provided to the practices added by the acquisition of Magella; (ii) settlement costs of $1.3 million related to the Colorado Medicaid investigation; (iii) salaries and benefits incurred as we continued our efforts to regionalize our operations; (iv) the growth in information services for the development and support of clinical and operational systems; (v) legal fees related to the Colorado Medicaid investigation, which was concluded in April 2002, and the Federal Trade Commission investigation initiated in June 2002; and (vi) increased insurance costs.

Depreciation and amortization expense decreased by $15.3 million, or 71.4%, to $6.1 million for the year ended December 31, 2002, as compared with $21.4 million for the same period in 2001, primarily as a result of the adoption of the nonamortization provisions of FAS 142 as discussed in Note 2 to our Consolidated Financial Statements. Excluding the impact of goodwill amortization for the year ended December 31, 2001, depreciation and amortization increased $1.3 million, primarily due to fixed assets acquired in connection with our acquisition of Magella.

Income from operations increased $53.7 million, or 91.8%, to $112.1 million for the year ended December 31, 2002, as compared with $58.4 million for the same period in 2001. Our operating margin increased 7.6 percentage points to 24.1% for the year ended December 31, 2002, as compared to 16.5% for the same period in 2001. Excluding the impact of goodwill amortization for the year ended December 31, 2001, income from operations increased $37.1 million and operating margin increased by 2.9 percentage points.

We recorded net interest expense of $338,000 for the year ended December 31, 2002, as compared with net interest expense of $2.2 million for the same period in 2001. The decrease in interest expense in 2002 was primarily the result of having no outstanding balance under our line of credit during the year ended December 31, 2002. Interest expense for the year ended December 31, 2002 consisted primarily of commitment fees and amortized deferred debt costs associated with our line of credit.

Our effective income tax rates were 38.4% and 45.9% for the years ended December 31, 2002 and 2001, respectively. The decrease in the tax rate for the year ended December 31, 2002 was primarily due to the elimination of non-deductible goodwill amortization as required under the provisions of FAS 142. See Note 2 to our Consolidated Financial Statements.

Net income increased to $68.8 million for the year ended December 31, 2002, as compared to $30.4 million for the same period in 2001. Excluding the impact of goodwill amortization expense for the year ended December 31, 2001, net income increased by $24.4 million.

Diluted net income per common and common equivalent share was $2.58 on weighted average shares of 26.6 million for the year ended December 31, 2002, as compared to $1.36 on the weighted average shares of 22.5 million for same period in 2001. Excluding the impact of goodwill amortization expense, diluted net income per common and common equivalent share would have been $1.98 for the year ended December 31, 2001. The significant net increase in weighted average shares outstanding was due to: (i) the shares issued in connection with the acquisition of Magella which were outstanding from May 15, 2001; (ii) the dilutive effect of convertible subordinated notes and stock options assumed in connection with the acquisition of Magella; and (iii) an increase in outstanding shares due to stock option exercises and shares issued under our employee stock purchase plans, offset by a decrease in shares due to the weighted average impact of approximately 1.7 million shares purchased in 2002 under a stock repurchase program approved by our Board of Directors.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2003, we had approximately $27.9 million of cash and cash equivalents on hand as compared to $73.2 million at December 31, 2002. Additionally, we had working capital of approximately $24.5 million at December 31, 2003, a decrease of $55.1 million from working capital of $79.6 million at December 31, 2002. The decrease in working capital is primarily due to the use of cash on hand and cash generated from operations to repurchase shares of our common stock (as described below), fund the acquisition of various physician group practices and a metabolic screening laboratory, and purchase our corporate office.

We generated cash flow from operating activities of $90.3 million, $97.8 million and $118.0 million for the years ended December 31, 2001, 2002 and 2003, respectively. We realized an increase in cash provided from operating activities in 2003 as compared to 2002 due to improved year-over-year operating results. In addition, we generated proceeds from the exercise of stock options and the issuance of common stock under our employee stock purchase plans of approximately $15.8 million, $32.1 million and $27.9 million for the years ended December 31, 2001, 2002 and 2003, respectively.

Since July 2002, we have purchased approximately 4.7 million shares of our common stock at a cost of approximately $150 million under three repurchase programs approved by our Board of Directors. During 2002, we completed our first repurchase program buying approximately 1.7 million shares of our common stock for approximately $50 million. During 2003, we completed two additional repurchase programs buying approximately 3.0 million shares of our common stock for an aggregate amount of approximately $100 million. All repurchases were made in the open market, subject to market conditions and trading restrictions.

During 2003, we completed the acquisition of an independent laboratory specializing in newborn metabolic screening and acquired seven physician group practices, using approximately $75.2 million in cash. We also purchased our corporate office building in 2003 for approximately $10.1 million in cash pursuant to a lease purchase option. The building had been leased under an operating lease agreement with a LIBOR-based variable interest rate. During 2003, we made other capital expenditures in the aggregate amount of approximately $5.2 million, primarily for computer equipment and software, furniture, equipment and improvements at our corporate headquarters and regional offices.

Our repurchase programs, acquisitions and capital expenditures were funded by cash generated from operations and borrowings under our revolving line of credit, which have been subsequently repaid.

A large majority of our affiliated physicians participate in a performance-based incentive compensation program. Payments due under the program are made annually in the first quarter. As a result, we typically experience negative cash flow from operations in the first quarter of each year and we are required to fund our operations during this period with cash on hand or funds drawn from our line of credit (described below).

We maintain professional liability insurance policies with third-party insurers, subject to deductibles, exclusions and other restrictions. We self-insure our liabilities to pay deductibles under our professional liability insurance coverage through a wholly-owned captive insurance subsidiary. We record a liability for self-insured deductibles and an estimate of liabilities for claims incurred but not reported based on an actuarial valuation using historical loss patterns. Our current professional liability insurance policy expires May 1, 2004, and we are currently reviewing our coverage options, which could include higher self-insured deductibles and an increase in premium costs. There can be no assurance that we will be able to obtain substantially similar coverage for professional liability insurance upon expiration or that such coverage will be available at acceptable costs or on favorable terms.

We currently have a revolving line of credit in the amount of $100 million that matures on August 14, 2004 (“Line of Credit”). At our option, our Line of Credit bears interest at either the prime rate or the Eurodollar rate plus an applicable margin rate ranging from 2% to 2.75%. Our Line of Credit is collateralized by substantially all of our current and future assets. We are subject to certain covenants and restrictions specified in our Line of Credit, including covenants that require us to maintain a minimum level of net worth and earnings, comply with laws, and restrict us from paying dividends and making certain other distributions, as specified therein. Failure to comply with these covenants would constitute an event of default under our Line of Credit, notwithstanding our ability to meet our debt service obligations. Our Line of Credit includes various customary remedies for our lenders following an

event of default. At December 31, 2003, we are in compliance with such financial covenants and other restrictions. Although we had no outstanding principal balance under our Line of Credit at December 31, 2003, we had outstanding letters of credit which reduced the amount available under our Line of Credit by $6.5 million at December 31, 2003.

We are currently evaluating a proposal from one of our lenders with respect to syndicating a new revolving credit facility. However, there can be no assurance that we will be able to obtain a new credit facility in the amount and on terms substantially similar to our Line of Credit.

Based upon our current cash on hand and projected 2004 cash flow from operations, we anticipate that funds generated from operations, together with our current cash on hand, will be sufficient to finance our working capital requirements, anticipated acquisitions and capital expenditures as presently planned, and to meet our contractual obligations for at least the next 12 months. In addition to our contractual obligations (described below), we plan to invest $50 million to $60 million in cash during 2004 on acquisitions.

CONTRACTUAL OBLIGATIONS

At December 31, 2003, we had certain obligations and commitments under promissory notes, capital leases and operating leases totaling approximately $16.8 million as follows:

	Payments Due (in thousands)				
Obligation	Total	2004	2005 and 2006	2007 and 2008	2009 and Later
Promissory notes	$ 1,050	$ 350	$ 700	$ —	$ —
Capital leases	814	336	408	70	—
Operating leases	14,926	5,055	8,216	1,386	269
	$16,790	$5,741	$9,324	$1,456	$269

OFF-BALANCE SHEET ARRANGEMENTS

At December 31, 2003, we did not have any material off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, charges in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

ACCOUNTING MATTERS

In November 2002, FASB Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees Including Indirect Guarantees of Indebtedness of Others an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34,” was issued. This statement elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of the interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002 and the disclosure requirements are effective for interim and annual periods ending after December 15, 2002. The adoption of the initial recognition and initial measurement provisions of FIN 45 did not have a material impact on our financial position or results of operations for the year ended December 31, 2003.

In January 2003, FASB Interpretation No. 46 (“FIN 46”), “Consolidation of Variable Interest Entities – an Interpretation of ARB No. 51,” was issued. In December 2003, the FASB issued FIN No. 46 (Revised) (“FIN 46-R”) to address certain FIN 46 implementation issues. FIN 46 addresses consolidation by business enterprises of variable interest entities (“VIE”). If a company has an interest in a VIE and is at risk for a majority of the VIE’s expected losses or receives a majority of the VIE’s expected gains it shall consolidate the VIE. FIN 46-R also requires additional disclosures by primary beneficiaries and other significant variable interest holders. For entities acquired or created before February 1, 2003, this interpretation is effective no later than the end of the first interim

or reporting period ending after March 15, 2004, except for those VIE's that are considered to be special purpose entities for which the effective date is no later than the first interim or annual period ending after December 15, 2003. For all entities that were acquired subsequent to January 31, 2003, this interpretation is effective as of the first interim or annual period ending after December 31, 2003. During 2003, we evaluated our potential variable interest entities and determined that the provisions of FIN 46 did not impact our financial position or results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our Line of Credit and an aircraft operating lease agreement are subject to market risk and interest rate changes. The total amount available under our Line of Credit is $100 million. At our option, the Line of Credit bears interest at either the prime rate or the Eurodollar rate plus an applicable margin rate ranging from 2% to 2.75%. The aircraft operating lease bears interest at a LIBOR-based variable rate. We had no outstanding principal balance under the Line of Credit at December 31, 2003. The outstanding balance related to the aircraft operating lease totaled approximately $5.6 million at December 31, 2003. Considering the total outstanding balances under these instruments at December 31, 2003 of approximately $5.6 million, a 1% change in interest rates would result in an impact to income before income taxes of approximately $56,000 per year.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following Consolidated Financial Statements and Financial Statement Schedule of Pediatrix Medical Group, Inc. and its subsidiaries are included in this Annual Report on the pages set forth below:

INDEX TO FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULE

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Report of Independent Certified Public Accountants	39
Consolidated Balance Sheets at December 31, 2002 and 2003	40
Consolidated Statements of Income for the Years Ended December 31, 2001, 2002 and 2003	41
Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2001, 2002 and 2003	42
Consolidated Statements of Cash Flows for the Years Ended December 31, 2001, 2002 and 2003	43
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Schedule II – Valuation and Qualifying Accounts for the Years Ended December 31, 2001, 2002, and 2003	61

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

In our opinion, the consolidated financial statements listed in the accompanying index appearing under Item 8 present fairly, in all material respects, the financial position of Pediatrix Medical Group, Inc. and subsidiaries (the "Company") at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index under Item 8 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2 to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," effective January 1, 2002.

PricewaterhouseCoopers LLP

Fort Lauderdale, Florida
February 16, 2004

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

	December 31,	
	2002	2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 73,195	$ 27,896
Accounts receivable, net	75,356	94,213
Prepaid expenses	6,083	3,152
Deferred income taxes	5,515	19,354
Other assets	1,206	942
Total current assets	161,355	145,557
Property and equipment, net	16,820	27,194
Goodwill	463,032	527,422
Other assets, net	7,472	17,421
Total assets	$648,679	$ 717,594
LIABILITIES & SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 76,400	$ 111,974
Current portion of long-term debt and capital lease obligations	504	686
Income taxes payable	4,896	8,385
Total current liabilities	81,800	121,045
Long-term debt and capital lease obligations	1,985	1,178
Deferred income taxes	13,290	17,429
Deferred compensation	3,606	5,564
Total liabilities	100,681	145,216
Commitments and contingencies		
Shareholders' equity:		
Preferred stock; $.01 par value; 1,000 shares authorized; none issued	—	—
Common stock; $.01 par value; 50,000 shares authorized; 27,005 and 28,425 shares issued, respectively	270	284
Additional paid-in capital	392,321	432,361
Treasury stock, at cost, 1,692 and 4,665 shares, respectively	(49,998)	(150,000)
Retained earnings	205,405	289,733
Total shareholders' equity	547,998	572,378
Total liabilities and shareholders' equity	$648,679	$ 717,594

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	Years Ended December 31,		
	2001	2002	2003
Net patient service revenue	$354,595	$465,481	$551,197
Operating expenses:			
Practice salaries and benefits	197,581	263,165	310,778
Practice supplies and other operating expenses	14,297	15,791	18,588
General and administrative expenses	62,841	68,315	76,537
Depreciation and amortization	21,437	6,135	8,405
Total operating expenses	296,156	353,406	414,308
Income from operations	58,439	112,075	136,889
Investment income	309	818	482
Interest expense	(2,538)	(1,156)	(1,372)
Income before income taxes	56,210	111,737	135,999
Income tax provision	25,782	42,961	51,671
Net income	$ 30,428	$ 68,776	$ 84,328
Per share data:			
Net income per common and common equivalent share:			
Basic	$ 1.44	$ 2.68	$ 3.55
Diluted	$ 1.36	$ 2.58	$ 3.43
Weighted average shares used in computing net income per common and common equivalent share:			
Basic	21,159	25,622	23,742
Diluted	22,478	26,629	24,577

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	Common Stock					
	Number of Shares	Amount	Additional Paid in Capital	Treasury Stock	Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2000	15,878	$159	$135,540	$ —	$106,201	$ 241,900
Net income	—	—	—	—	30,428	30,428
Common stock issued in connection with the Merger	7,293	73	152,417	—	—	152,490
Fair value of stock options assumed in the Merger	—	—	18,932	—	—	18,932
Common stock issued under employee stock option and stock purchase plans	1,253	13	15,820	—	—	15,833
Common stock issued for convertible notes	537	5	11,867	—	—	11,872
Tax benefit related to employee stock option and stock purchase plans	—	—	7,397	—	—	7,397
Balance at December 31, 2001	24,961	250	341,973	—	136,629	478,852
Net income	—	—	—	—	68,776	68,776
Common stock issued under employee stock option and stock purchase plans	2,044	20	32,091	—	—	32,111
Common stock issued for convertible notes	—	—	128	—	—	128
Treasury stock	—	—	—	(49,998)	—	(49,998)
Tax benefit related to employee stock option and stock purchase plans	—	—	18,129	—	—	18,129
Balance at December 31, 2002	27,005	270	392,321	(49,998)	205,405	547,998
Net income	—	—	—	—	84,328	84,328
Common stock issued under employee stock option and stock purchase plans	1,387	14	27,922	—	—	27,936
Common stock issued for convertible notes	33	—	791	—	—	791
Treasury stock	—	—	—	(100,002)	—	(100,002)
Tax benefit related to employee stock option and stock purchase plans	—	—	11,327	—	—	11,327
Balance at December 31, 2003	28,425	$284	$432,361	$(150,000)	$289,733	$ 572,378

The accompanying notes are an integral part of these Consolidated Financial Statements.

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

	Years Ended December 31,		
	2001	2002	2003
Cash flows from operating activities:			
Net income	$ 30,428	$ 68,776	$ 84,328
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation and amortization	21,437	6,135	8,405
Deferred income taxes	(14,725)	1,497	(9,700)
Changes in assets and liabilities:			
Accounts receivable	17,676	(11,505)	(17,368)
Prepaid expenses and other assets	(1,765)	(3,254)	3,516
Other assets	5,436	565	(1,129)
Accounts payable and accrued expenses	22,992	15,504	35,165
Income taxes payable	8,857	20,124	14,817
Net cash provided from operating activities	90,336	97,842	118,034
Cash flows from investing activities:			
Acquisition payments, net of cash acquired	(23,734)	(25,735)	(75,243)
Purchase of property and equipment	(7,088)	(7,993)	(15,274)
Net cash used in investing activities	(30,822)	(33,728)	(90,517)
Cash flows from financing activities:			
Payments on line of credit, net	(46,900)	—	—
Payments to refinance line of credit	(1,404)	—	—
Payments on long-term debt, capital lease obligations and note payable	(2,561)	(589)	(750)
Proceeds from issuance of common stock	15,833	32,111	27,936
Purchase of treasury stock	—	(49,998)	(100,002)
Net cash used in financing activities	(35,032)	(18,476)	(72,816)
Net increase (decrease) in cash and cash equivalents	24,482	45,638	(45,299)
Cash and cash equivalents at beginning of year	3,075	27,557	73,195
Cash and cash equivalents at end of year	$ 27,557	$ 73,195	$ 27,896
Supplemental disclosure of cash flow information:			
Cash paid for:			
Interest	$ 2,642	$ 1,164	$ 1,280
Income taxes	$ 23,426	$ 20,216	$ 46,555
Non-cash financing activity:			
Common stock issued for convertible notes	$ 11,872	$ 128	$ 791

The accompanying notes are an integral part of these Consolidated Financial Statements.

PEDIATRIX MEDICAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General:

The principal business activity of Pediatrix Medical Group, Inc. and its subsidiaries ("Pediatrix" or the "Company") is to provide neonatal, maternal-fetal and other pediatric subspecialty physician services in 30 states and Puerto Rico. The Company has contracts with affiliated professional associations, corporations and partnerships ("affiliated professional contractors"), which are separate legal entities that provide physician services in certain states and Puerto Rico. The Company and its affiliated professional contractors enter into contracts with hospitals to provide physician services, which include (i) fee-for-service contracts, whereby hospitals agree, in exchange for the Company's services, to authorize the Company and its health care professionals to bill and collect the charges for medical services rendered by the Company's affiliated health care professionals, and (ii) administrative fee contracts, whereby the Company is assured a minimum revenue level.

2. Summary of Significant Accounting Policies:

Principles of Presentation

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

Accounting Pronouncements

In November 2002, FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34," was issued. This statement elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of the interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002 and the disclosure requirements are effective for interim and

PEDIATRIX MEDICAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Summary of Significant Accounting Policies, Continued:

annual periods ending after December 15, 2002. The adoption of the initial recognition and initial measurement provisions of FIN 45 did not have a material impact on the Company's financial position or results of operations for the year ended December 31, 2003.

In January 2003, FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities – an Interpretation of ARB No. 51," was issued. In December 2003, the FASB issued FIN No. 46 (Revised) ("FIN 46-R") to address certain FIN 46 implementation issues. FIN 46 addresses consolidation by business enterprises of variable interest entities ("VIE"). If a company has an interest in a VIE and is at risk for a majority of the VIE's expected losses or receives a majority of the VIE's expected gains it shall consolidate the VIE. FIN 46-R also requires additional disclosures by primary beneficiaries and other significant variable interest holders. For entities acquired or created before February 1, 2003, this interpretation is effective no later than the end of the first interim or reporting period ending after March 15, 2004, except for those VIE's that are considered to be special purpose entities for which the effective date is no later than the first interim or annual period ending after December 15, 2003. For all entities that were acquired subsequent to January 31, 2003, this interpretation is effective as of the first interim or annual period ending after December 31, 2003. During 2003, the Company evaluated its potential variable interest entities and determined that the provisions of FIN 46 did not impact the Company's financial position or results of operations.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include the estimated allowance for contractual adjustments and uncollectibles on accounts receivable, and the estimated liabilities for claims incurred but not reported related to the Company's professional liability insurance. Actual results could differ from those estimates.

Segment Reporting

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

Revenue Recognition

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

Accounts receivable are primarily amounts due under fee-for-service contracts from third-party payors, such as insurance companies, self-insured employers and patients and government-sponsored health care programs geographically dispersed throughout the United States and its territories. Concentration of credit

PEDIATRIX MEDICAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Summary of Significant Accounting Policies, Continued:

risk relating to accounts receivable is limited by number, diversity and geographic dispersion of the business units managed by the Company, as well as by the large number of patients and payors, including the various governmental agencies in the states in which the Company provides services. Receivables from government agencies made up approximately 19% and 29% of net accounts receivable at December 31, 2002 and 2003, respectively.

Cash Equivalents

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

Property and Equipment

Property and equipment are stated at original purchase cost. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives. Estimated useful lives are generally 20 years for buildings; three to seven years for medical equipment, computer equipment, software and furniture; and the lease period for leasehold improvements and capital leases. Upon sale or retirement of property and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in earnings.

Goodwill and Other Intangible Assets

Effective July 1, 2001, the Company adopted the provisions of Statement of Financial Accounting Standards No. 141 ("FAS 141"), "Business Combinations" and the nonamortization provisions of Statement of Financial Accounting Standards No. 142 ("FAS 142"), "Goodwill and Other Intangible Assets" pertaining to goodwill recorded in connection with acquisitions consummated subsequent to June 30, 2001. Effective January 1, 2002, certain other provisions of FAS 142 were fully adopted. The provisions of FAS 142 require the nonamortization of all goodwill and other indefinite-lived intangible assets and that goodwill and other indefinite-lived intangible assets be tested annually for impairment using a two-step process.

The Company records acquired assets and liabilities at their respective fair values under the purchase method of accounting. Goodwill represents the excess of cost over the fair value of the net assets acquired. Intangible assets with finite lives, principally physician and hospital agreements, are recognized apart from goodwill at the time of acquisition based on the contractual-legal and separability criteria established in FAS 141.

Goodwill is tested for impairment at an operating segment level, known as a reporting unit, on an annual basis using a two-step test. The first step compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, a second step is performed to determine the amount of any impairment loss. During 2002, the Company completed its impairment testing as a result of the adoption of FAS 142 in the third quarter of 2002 and determined that goodwill was not impaired. During 2003, the Company completed its annual impairment test in the third quarter of 2003 and determined that goodwill was not impaired. Goodwill related to acquisitions completed prior to July 1, 2001 was amortized through the year ended December 31, 2001 on a straight-line basis over 25 years. No goodwill amortization was recorded for the years ended December 31, 2002 and 2003. Intangible assets with finite lives are amortized over a period of 4 to 20 years.

PEDIATRIX MEDICAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Summary of Significant Accounting Policies, Continued:

Excluding the impact of amortization expense, net of tax, for the years ended December 31, 2001, 2002 and 2003, pro forma net income and net income per share is as follows:

	Years Ended December 31,		
	2001	2002	2003
	(in thousands, except per share data)		
Net income, as reported	$30,428	$68,776	$84,328
Add: Goodwill amortization, net of tax	13,974	—	—
Pro forma net income	$44,402	$68,776	$84,328
Net income per share:			
As reported:			
Basic	$ 1.44	$ 2.68	$ 3.55
Diluted	$ 1.36	$ 2.58	$ 3.43
Pro forma:			
Basic	$ 2.10	$ 2.68	$ 3.55
Diluted	$ 1.98	$ 2.58	$ 3.43

Long-Lived Assets

The Company evaluates long-lived assets, including intangible assets subject to amortization, at least annually and records an impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be fully recoverable. The recoverability of such assets is measured by a comparison of the carrying value of the assets to the future undiscounted cash flows before interest charges to be generated by the assets. If long-lived assets are impaired, the impairment to be recognized is measured as the excess of the carrying value over the fair value. Long-lived assets to be disposed of are reported at the lower of the carrying value or fair value less disposal costs. The Company does not believe there are any indicators that would require an adjustment to such assets or their estimated periods of recovery at December 31, 2003 pursuant to the current accounting standards.

Treasury Stock

Effective with the beginning of the third quarter of 2002, the Company began repurchasing and holding shares of its common stock as treasury stock. The Company records its common stock repurchases at reacquisition cost using the cost method of accounting for treasury stock. Treasury stock is reported as a reduction in shareholders' equity.

Professional Liability Coverage

The Company maintains professional liability insurance policies with third-party insurers, subject to deductibles, exclusions and other restrictions. The Company self-insures its liabilities to pay deductibles under its professional liability insurance coverage through a wholly-owned captive insurance subsidiary. The Company records a liability for self-insured deductibles and an estimate of liabilities for claims incurred but not reported based on an actuarial valuation using historical loss patterns. Liabilities for claims incurred but not reported are not discounted.

PEDIATRIX MEDICAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Summary of Significant Accounting Policies, Continued:

Income Taxes

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

Stock Options

The Company accounts for stock-based compensation to employees using the intrinsic value method as prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, no compensation expense for stock options issued to employees is reflected in the consolidated statements of income, because the market value of the Company's stock equals the exercise price on the day options are granted. To the extent the Company realizes an income tax benefit from the exercise of certain stock options, this benefit results in a decrease in current income taxes payable and an increase in additional paid-in capital.

Had compensation expense been determined based on the fair value accounting provisions of Statement of Financial Accounting Standards No. 123 ("FAS 123"), "Accounting for Stock-Based Compensation," the Company's net income and net income per share would have been reduced to the pro forma amounts below:

	Years Ended December 31,		
	2001	2002	2003
	(in thousands, except per share data)		
Net income, as reported	$30,428	$ 68,776	$ 84,328
Deduct: Total stock-based employee compensation expense determined under fair value accounting rules, net of related tax effect	(9,338)	(10,451)	(10,999)
Pro forma net income	$21,090	$ 58,325	$ 73,329
Net income per share:			
As reported:			
Basic	$ 1.44	$ 2.68	$ 3.55
Diluted	$ 1.36	$ 2.58	$ 3.43
Pro forma:			
Basic	$ 1.00	$ 2.28	$ 3.09
Diluted	$ 0.98	$ 2.25	$ 3.05

The fair value of each option or share to be issued is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 2001, 2002 and 2003: dividend yield of 0% for all years; expected volatility of 71%, 58% and 56%, respectively, and risk-free interest rates of 4.6%, 3.6% and 2.9%, respectively, for options with expected lives of five years (officers and physicians of the Company) and 3.9%, 3.1% and 2.2%, respectively, for options with expected lives of three years (all other employees of the Company).

Net Income Per Share

Basic net income per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share is calculated by dividing net income by the weighted average number of common and potential common shares outstanding during the

PEDIATRIX MEDICAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

2. Summary of Significant Accounting Policies, Continued:

period. Potential common shares consist of the dilutive effect of convertible notes calculated using the if-converted method and outstanding options calculated using the treasury stock method. The calculation of diluted net income per share excludes the after-tax impact of interest expense related to convertible subordinated notes.

Fair Value Of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable and accrued expenses approximate fair value due to the short maturities of these items. The carrying value of long-term debt and capital lease obligations approximates fair value.

3. Accounts Receivable and Net Patient Service Revenue:

Accounts receivable consists of the following:

	December 31,	
	2002	2003
	(in thousands)	
Gross accounts receivable	$ 210,783	$ 294,022
Allowance for contractual adjustments and uncollectibles	(135,427)	(199,809)
	$ 75,356	$ 94,213

Net patient service revenue consists of the following:

	Years Ended December 31,		
	2001	2002	2003
		(in thousands)	
Gross patient service revenue	$ 835,137	$1,071,475	$1,363,380
Contractual adjustments and uncollectibles	(500,284)	(630,237)	(841,622)
Hospital contract administrative fees	19,742	24,243	29,439
	$ 354,595	$ 465,481	$ 551,197

During 2002, the Company realized a decrease in contractual adjustments and uncollectibles as a percentage of gross revenue due to (i) the realization of improved reimbursement from non-contracted payors related to the 2001 price increase, (ii) improved contracting processes with managed care payors, and (iii) improved collections as a result of the Company's regional collection structure.

During 2003, the Company realized an increase in contractual adjustments and uncollectibles as a percentage of gross revenue due to (i) changes in billing codes introduced by the American Medical Association in early 2003 which resulted in reduced collection rates for the specific codes impacted, and (ii) the impact of modest price increases implemented on January 1, 2003 partially offset by a decrease in contractual adjustments and uncollectibles as a percentage of gross revenue as a result of improved managed care contracting processes. As a result of the modest price increases, contractual adjustments and uncollectibles increased as a percentage of gross patient service revenue in 2003. This increase is primarily due to government-sponsored health care programs, like Medicaid, that generally provide for reimbursements on a fee schedule basis rather than on a gross charge basis. Since the Company bills government-sponsored health care programs, like other payors, on a gross charge basis, the Company increased the provision for contractual adjustments and uncollectibles by the amount of any price increase, resulting in a higher contractual adjustment percentage.

PEDIATRIX MEDICAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

4. Property and Equipment:

Property and equipment consist of the following:

	December 31,	
	2002	2003
	(in thousands)	
Building	$ 33	$ 8,056
Equipment and furniture	34,442	43,615
	34,475	51,671
Accumulated depreciation	(17,655)	(24,477)
	$ 16,820	$ 27,194

At December 31, 2003, property and equipment includes medical and other equipment held under capital leases of approximately $2.3 million and related accumulated depreciation of approximately $1.2 million. The Company recorded depreciation expense of approximately $4.9 million, $6.0 million and $6.8 million for the years ended December 31, 2001, 2002 and 2003, respectively.

5. Goodwill and Other Assets:

Other assets consist of the following:

	December 31,	
	2002	2003
	(in thousands)	
Other intangible assets	$ 996	$ 7,761
Other assets	6,476	9,660
	$7,472	$17,421

At December 31, 2003, other intangible assets consist of amortizable hospital, state and other contracts; physician and hospital agreements; and patents and other agreements with gross carrying amounts of approximately $4.5 million, $3.2 million and $1.7 million, respectively, less accumulated amortization of approximately $1.6 million. At December 31, 2002, other intangible assets consisted of amortizable physician and hospital agreements with a gross carrying amount of approximately $1.1 million, less accumulated amortization of approximately $120,000. Amortization expense related to other intangible assets for the years ended December 31, 2002 and 2003 was approximately $120,000 and $1.5 million, respectively. Amortization expense on other intangible assets for the years 2004 through 2008 is expected to be approximately $1.7 million, $1.4 million, $1.3 million, $962,000 and $391,000, respectively. The remaining weighted average amortization period of other intangible assets is 17.5 years.

During 2002, the Company completed the acquisition of six physician practices. Total consideration and related costs for these acquisitions approximated $25.7 million. In connection with these transactions, the Company recorded goodwill of approximately $24.6 million and other intangible assets consisting of physician and hospital agreements of approximately $1.1 million. The goodwill of approximately $24.6 million related to these acquisitions represents the only change in the carrying amount of goodwill for the year ended December 31, 2002.

During 2003, the Company completed the acquisition of an independent laboratory specializing in newborn metabolic screening and seven physician group practices. Total consideration and related costs for the acquisitions, net of cash acquired, was approximately $75.2 million in cash. In connection with the acquisitions, the Company recorded goodwill of approximately $64.4 million, other intangible assets of approximately $8.2 million, fixed and other assets of approximately $3.8 million and liabilities of approximately $1.2 million. The goodwill of approximately $64.4 million related to these acquisitions represents the only change in the carrying amount of goodwill for the year ended December 31, 2003. The other intangible assets of approximately $8.2 million consist of hospital, state and other contracts; physician and hospital agreements; and patents and other agreements with gross carrying amounts of $4.5 million, $2.0 million and $1.7 million, respectively. The weighted average amortization period of these other intangible assets is 17.6 years.

PEDIATRIX MEDICAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

5. Goodwill and Other Assets, Continued:

The results of operations of the independent laboratory and the acquired practices have been included in the Company's consolidated financial statements from the dates of acquisition.

The following unaudited pro forma information combines the consolidated results of operations of the Company and the acquisitions completed during 2002 and 2003 as if the transactions had occurred on January 1, 2002:

	Years Ended December 31,	
	2002	2003
	(in thousands, except per share data)	
Net patient service revenue	$499,078	$568,000
Net income	71,030	85,444
Net income per share:		
Basic	$ 2.77	$ 3.60
Diluted	$ 2.67	$ 3.48

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

6. Accounts Payable and Accrued Expenses:

Accounts payable and accrued expenses consist of the following:

	December 31,	
	2002	2003
	(in thousands)	
Accounts payable	$10,131	$ 10,528
Accrued salaries and bonuses	35,377	55,336
Accrued payroll taxes and benefits	10,364	11,452
Accrued professional liability coverage	14,607	24,040
Other accrued expenses	5,921	10,618
	$76,400	$111,974

7. Line of Credit, Long-Term Debt and Capital Lease Obligations:

The Company currently has a revolving line of credit in the amount of $100 million that matures on August 14, 2004 (the "Line of Credit"). At the Company's option, the Line of Credit bears interest at either the prime rate or the Eurodollar rate plus an applicable margin rate ranging from 2% to 2.75%. The Line of Credit is collateralized by substantially all of the Company's current and future assets. The Company is subject to certain financial covenants and restrictions specified in its Line of Credit, including covenants that require the Company to maintain a minimum level of net worth and earnings, comply with laws, and restrict the Company from paying dividends and making certain other distributions, as specified therein. At December 31, 2003, the Company was in compliance with such financial covenants and restrictions. Although the Company had no balance outstanding under the Line of Credit at December 31, 2002 and 2003, it had outstanding letters of credit which reduced the amount available under the Line of Credit by$6.6 million and $6.5 million at December 31, 2002 and 2003, respectively.

During 2001, the Company issued a $1.8 million promissory note in connection with an acquisition. The promissory note accrues interest at 5.5%, requires principal payments in five equal installments of $350,000, and matures on September 7, 2006.

PEDIATRIX MEDICAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

7. Line of Credit, Long-Term Debt and Capital Lease Obligations, Continued:

In connection with the acquisition of Magella Healthcare Corporation ("Magella"), the Company assumed certain convertible subordinated notes issued by Magella which, as a result of the acquisition, became exercisable into the Company's common stock (the "Convertible Notes"). During 2002 and 2003, approximately $128,000 and $791,000 of the Convertible Notes were converted into approximately 5,000 and 33,000 shares, respectively, of the Company's common stock. As of December 31, 2003, there are no Convertible Notes outstanding.

Long-term debt, including capital lease obligations, consists of the following:

	December 31, 2003
	(in thousands)
Promissory note in connection with acquisition	$1,050
Capital lease obligations	814
Total	1,864
Current portion	(686)
Long-term debt and capital lease obligations	$1,178

The amounts due under the terms of the Company's long-term debt, including capital lease obligations, at December 31, 2003 are as follows: 2004 - $686,000; 2005 - $615,000; 2006 - $493,000; 2007 - $60,000; and 2008 - $10,000.

8. Income Taxes:

The components of the income tax provision (benefit) are as follows:

	December 31,		
	2001	2002	2003
		(in thousands)	
Federal:			
Current	$29,970	$35,924	$55,902
Deferred	(4,709)	3,192	(8,786)
	25,261	39,116	47,116
State:			
Current	1,083	3,593	5,469
Deferred	(562)	252	(914)
	521	3,845	4,555
Total	$25,782	$42,961	$51,671

The Company files its tax return on a consolidated basis with its subsidiaries. The remaining affiliated professional contractors file tax returns on an individual basis.

The effective tax rate on income was 45.9%, 38.4% and 38.0% for the years ended December 31, 2001, 2002 and 2003, respectively. The decrease in the tax rate for the years ended December 31, 2002 and 2003, as compared to the year ended December 31, 2001, was primarily due to the elimination of non-deductible goodwill amortization as required under current accounting standards.

PEDIATRIX MEDICAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

8. Income Taxes, Continued:

The differences between the effective rate and the United States federal income tax statutory rate are as follows:

	December 31,		
	2001	2002	2003
		(in thousands)	
Tax at statutory rate	$19,674	$39,108	$47,600
State income tax, net of federal benefit	865	2,499	2,960
Amortization	3,939	237	—
Other, net	1,304	1,117	1,111
Income tax provision	$25,782	$42,961	$51,671

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

	December 31, 2002			December 31, 2003		
	Total	Current	Non-Current	Total	Current	Non-Current
			(in thousands)			
Allowance for uncollectible accounts	$ 5,708	$ 5,708	$ —	$ 9,675	$ 9,675	$ —
Net operating loss carryforward	3,321	3,321	—	1,776	1,776	—
Amortization	1,170	—	1,170	886	—	886
Operating reserves and accruals	10,273	10,273	—	19,284	19,284	—
Other	2,394	368	2,026	1,304	42	1,262
Total deferred tax assets	22,866	19,670	3,196	32,925	30,777	2,148
Accrual to cash adjustment	(14,123)	(14,123)	—	(11,410)	(11,410)	—
Property and equipment	(3,775)	—	(3,775)	(2,965)	—	(2,965)
Amortization	(12,712)	—	(12,712)	(16,612)	—	(16,612)
Other	(31)	(32)	1	(13)	(13)	—
Total deferred tax liabilities	(30,641)	(14,155)	(16,486)	(31,000)	(11,423)	(19,577)
Net deferred tax liability	$ (7,775)	$ 5,515	$(13,290)	$ 1,925	$ 19,354	$(17,429)

The income tax benefit related to the exercise of stock options and the purchase of shares under the Company's non-qualified employee stock purchase plan reduces taxes currently payable and is credited to additional paid-in capital. Such amounts totaled approximately $7,397,000, $18,129,000 and $11,327,000 for the years ended December 31, 2001, 2002 and 2003, respectively.

The Company has net operating loss carryforwards for federal and state tax purposes totaling approximately $7,175,000, $8,697,000 and $4,958,000 at December 31, 2001, 2002 and 2003, respectively, expiring at various times commencing in 2019.

The Company and the affiliated professional contractors are subject to federal and state audits through the normal course of operations. Management has recorded provisions for unasserted contingent claims.

9. Commitments and Contingencies:

In November 2003, the United States District Court for the Southern District of Florida entered orders dismissing without prejudice five previously announced federal securities law class action cases, which were commenced in June and July 2003 against the Company, two of its executive officers and the Chairman of the Board.

In June 2002, the Company received a written request from the Federal Trade Commission (the "FTC") to submit information on a voluntary basis in connection with an investigation of issues of competition related to its May 2001 acquisition of Magella and its business practices generally. In February 2003, the Company received additional information requests from the FTC in the form of a Subpoena and Civil Investigative Demand. Pursuant to these requests, the Company produced documents and information relating to the acquisition and its

PEDIATRIX MEDICAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

9. Commitments and Contingencies, Continued:

business practices in certain markets. The Company has also provided on a voluntary basis additional information and testimony on issues related to the investigation. At this time, the investigation remains active and ongoing and the Company is cooperating fully with the FTC.

Beginning in April 1999, the Company received requests from various federal and state investigators for information relating to its billing practices for services reimbursed by Medicaid, and the United States Department of Defense's TRICARE program for military dependants and retirees. Since then, a number of the individual state investigations were resolved through agreements to refund certain overpayments and reimburse certain costs to the states. In June 2003, the Company was advised by a United States Attorney's Office that it was conducting a civil investigation with respect to its Medicaid billing practices nationwide. This federal Medicaid investigation, the TRICARE investigation, and related state inquiries are now being coordinated and are active and ongoing. The Company is cooperating fully with federal and state authorities with respect to these investigations and inquiries.

In November 2003, the Company's maternal-fetal practice in Las Vegas, Nevada was served with a search warrant by the State of Nevada. The warrant requested information concerning Medicaid billings for maternal-fetal care provided by the Company in that state. The Company does not know the basis for the warrant or the nature of the issues relating to this investigation. The Company is cooperating fully with appropriate officials in the investigation.

Currently, management cannot predict the timing or outcome of any of these pending investigations and inquiries and whether they will have, individually or in the aggregate, a material adverse effect on its business, financial condition or results of operations and the trading price of its common stock.

The Company also expects that additional audits, inquiries and investigations from government authorities and agencies will continue to occur in the ordinary course of its business. Such audits, inquiries and investigations and their ultimate resolutions, individually or in the aggregate, could have a material adverse effect on its business, financial condition or results of operations and the trading price of its common stock.

In the ordinary course of its business, the Company has become involved as a defendant in pending and threatened legal actions and proceedings, most of which involve claims of medical malpractice related to medical services provided by its affiliated physicians. The Company's contracts with hospitals also generally require it to indemnify them and their affiliates for losses resulting from the negligence of the Company's affiliated physicians. The Company is also subject to other lawsuits which may involve large claims and significant defense costs. The Company believes, based upon its review of pending actions and proceedings, that the outcome of such legal actions and proceedings will not have a material adverse effect on its business, financial condition or results of operations and the trading price of its common stock. The outcome of such actions and proceedings, however, cannot be predicted with certainty and an unfavorable resolution of one or more of them could have a material adverse effect on its business, financial condition or results of operations and the trading price of its common stock.

Although the Company currently maintains liability insurance coverage intended to cover medical malpractice and other claims, this coverage generally must be renewed annually and may not continue to be available to the Company in future years at acceptable costs and on favorable terms. In addition, the Company cannot assure that its insurance coverage will be adequate to cover liabilities arising out of claims asserted against it in the future where the outcomes of such claims are unfavorable. Liabilities in excess of the Company's insurance coverage could have a material adverse effect on its business, financial condition and results of operations.

PEDIATRIX MEDICAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

9. Commitments and Contingencies, Continued:

The Company leases an aircraft and space for its regional offices and medical offices, storage space and temporary housing of medical staff. The aircraft lease bears interest at a LIBOR-based variable rate. Rent expense for the years ended December 31, 2001, 2002 and 2003 was approximately $6,149,000, $6,898,000 and $7,437,000, respectively.

Future minimum lease payments under non-cancelable operating leases as of December 31, 2003 are as follows (in thousands):

2004	$ 5,055
2005	3,820
2006	4,396
2007	986
2008	400
Thereafter	269
	$14,926

10. Retirement Plan:

The Company maintains two qualified contributory savings plans as allowed under Section 401(k) of the Internal Revenue Code and Section 1165(e) of the Puerto Rico Income Tax Act of 1954 (the “Plans”). The Plans permit participant contributions and allow elective Company contributions based on each participant’s contribution. Participants may defer a percentage of their annual compensation subject to the limits defined in the Plans. The Company recorded an expense of $3,765,000, $5,728,000 and $6,192,000 for the years ended December 31, 2001, 2002 and 2003, respectively, related to the Plans.

PEDIATRIX MEDICAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

11. Net Income Per Common and Common Equivalent Share:

The calculation of basic and diluted net income per share for the years ended December 31, 2001, 2002 and 2003 are as follows:

	Years Ended December 31,		
	2001	2002	2003
	(in thousands, except for per share data)		
Basic:			
Net income applicable to common stock	$30,428	$68,776	$84,328
Weighted average number of common shares outstanding	21,159	25,622	23,742
Basic net income per share	$ 1.44	$ 2.68	$ 3.55
Diluted:			
Net income	$30,428	$68,776	$84,328
Interest expense on convertible subordinated debt, net of tax	115	28	25
Net income applicable to common stock	$30,543	$68,804	$84,353
Weighted average number of common shares outstanding	21,159	25,622	23,742
Weighted average number of dilutive common stock equivalents	1,165	975	807
Dilutive effect of convertible subordinated debt	154	32	28
Weighted average number of common and common equivalent shares outstanding	22,478	26,629	24,577
Diluted net income per share	$ 1.36	$ 2.58	$ 3.43

At December 31, 2001, 2002 and 2003, the Company had approximately 1.9 million, 959,000 and 359,000 outstanding employee stock options, respectively, that have been excluded from the computation of diluted earnings per share since they are anti-dilutive.

12. Stock Option Plan and Employee Stock Purchase Plans:

In 1993, the Company's Board of Directors authorized a stock option plan (the "Option Plan"). Under the Option Plan, options to purchase shares of common stock may be granted to certain employees at a price not less than the fair market value of the shares on the date of grant. The options must be exercised within 10 years from the date of grant. The stock options become exercisable on a pro rata basis over a three-year period from the date of grant. At December 31, 2003, the Company had 8,000,000 shares authorized to be issued and 693,743 shares available for future grants under the Option Plan.

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

PEDIATRIX MEDICAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

12. Stock Option Plan and Employee Stock Purchase Plans, Continued:

Pertinent information covering the Option Plan is as follows:

	Number of Shares	Option Price Per Share	Weighted Average Exercise Price	Expiration Date
Outstanding at December 31, 2000	4,555,431	$ 5.00-$61.00	$20.28	2004-2010
Assumed	1,375,894	$13.00-$24.05	$14.03	
Granted	1,373,000	$21.38-$36.30	$29.67	
Canceled	(464,704)	$ 7.06-$61.00	$25.94	
Exercised	(1,145,830)	$ 5.00-$36.13	$12.52	
Outstanding at December 31, 2001	5,693,791	$ 5.00-$61.00	$22.07	2004-2011
Granted	807,000	$25.00-$41.60	$33.22	
Canceled	(52,693)	$ 7.06-$39.13	$31.19	
Exercised	(1,978,866)	$ 5.00-$36.25	$15.21	
Outstanding at December 31, 2002	4,469,232	$ 5.00-$61.00	$27.03	2004-2012
Granted	1,002,000	$25.30-$57.01	$29.56	
Canceled	(574,103)	$ 7.06-$61.00	$33.05	
Exercised	(1,291,659)	$ 5.00-$41.60	$20.02	
Outstanding at December 31, 2003	3,605,470	$ 5.00-$61.00	$29.29	2004-2013
Exercisable at:				
December 31, 2001	3,502,787	$ 5.00-$61.00	$21.48	
December 31, 2002	2,532,390	$ 5.00-$61.00	$26.39	
December 31, 2003	2,037,218	$ 5.00-$61.00	$28.69	

The weighted average grant date fair value for options granted in 2001, 2002 and 2003 was $29.67, $33.22 and $29.56, respectively. The weighted average grant date fair value for options assumed in connection with the acquisition of Magella in 2001 was $14.03.

Significant option groups outstanding at December 31, 2003 and related price and life information is as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Outstanding as of 12/31/2003	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Exercisable as of 12/31/2003	Weighted Average Exercise Price
$5.00 - $12.20	195,568	$ 7.25	3.8	195,568	$ 7.25
$12.21 - $18.30	185,372	$15.03	5.6	185,372	$15.03
$18.31 - $24.40	485,269	$20.00	4.3	370,101	$19.68
$24.41 - $30.50	918,918	$27.40	8.7	92,000	$28.10
$30.51 - $36.60	1,098,010	$33.47	7.7	583,676	$33.80
$36.61 - $42.70	596,333	$39.06	4.3	535,501	$38.94
$42.71 - $54.90	91,000	$47.93	7.1	50,000	$45.13
$54.91 - $61.00	35,000	$59.86	6.5	25,000	$61.00
	3,605,470	$29.29	6.6	2,037,218	$28.69

PEDIATRIX MEDICAL GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

12. Stock Option Plan and Employee Stock Purchase Plans, Continued:

Under the Company's employee stock purchase plans (the "Stock Purchase Plans"), employees may purchase the Company's common stock at 85% of the average high and low sales price of the stock as reported as of commencement of the purchase period or as of the purchase date, whichever is lower. Under the Stock Purchase Plans, 107,423, 64,397 and 95,498 shares were issued during the years ended December 31, 2001, 2002 and 2003, respectively. At December 31, 2003, the Company has an additional 277,671 shares reserved under the Stock Purchase Plans.

13. Common Stock Repurchase Program:

Since July 2002, the Company has purchased approximately 4.7 million shares of its common stock at a cost of approximately $150 million under three repurchase programs approved by its Board of Directors. During 2002, the Company completed its first repurchase program buying approximately 1.7 million shares of its common stock for approximately $50 million. During 2003, the Company completed two additional share repurchase programs buying approximately 3.0 million shares of its common stock for an aggregate amount of approximately $100 million. All repurchases were made in the open market, subject to market conditions and trading restrictions.

14. Preferred Share Purchase Rights Plan:

In 1999, the Board of Directors of the Company adopted a Preferred Share Purchase Rights Plan (the "Rights Plan") under which each outstanding share of the Company's common stock includes one preferred share purchase right ("Right") entitling the registered holder, subject to the terms of the Rights Plan, to purchase from the Company a one-thousandth of a share of the Company's series A junior participating preferred stock. Each Right entitles the shareholder to purchase from the Company one one-thousandth of a share of the Company's Series A Junior Participating Preferred Stock (the "Preferred Shares") (or in certain circumstances, cash, property or other securities). Each Right has an initial exercise price of $150.00 for one one-thousandth of a Preferred Share (subject to adjustment). The Rights will be exercisable only if a person or group acquires 15% or more of the Company's common stock or announces a tender or exchange offer, the consummation of which would result in ownership by a person or group of 15% or more of the common stock. Upon such occurrence, each Right will entitle it's registered holder (other than such person or group of affiliated or associated persons) to purchase, at the Right's then-current exercise price, a number of the Company's common shares having a market value of twice such price. The final expiration date of the Rights is the close of business on March 31, 2009 (the "Final Expiration Date").

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

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective as of December 31, 2003.

There have been no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is incorporated by reference to the applicable information in the definitive proxy statement for our 2004 annual meeting of shareholders, which is to be filed with the SEC within 120 days after our fiscal year end.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the applicable information in the definitive proxy statement for our 2004 annual meeting of shareholders, which is to be filed with the SEC within 120 days after our fiscal year end.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

The following table provides information as of December 31, 2003, with respect to shares of our common stock that may be issued under existing equity compensation plans, including our Amended and Restated Stock Option Plan (the "Option Plan"), 1996 Qualified and Non-Qualified Employee Stock Purchase Plans, as amended and restated (the "Stock Purchase Plans"), and shares of our common stock reserved for issuance under presently exercisable stock options issued by Magella at the time of its acquisition by the Company (the "Magella Plan").

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	3,605,470(1)	$29.29	971,414(2)
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	3,605,470	$29.29	971,414

(1) Represents 3,516,628 shares issuable under the Option Plan and 88,842 shares issuable under the Magella Plan.

(2) Under the Option Plan and the Stock Purchase Plans, 693,743 and 277,671 shares, respectively, remain available for future issuance.

The other information required by this Item is incorporated by reference to the applicable information in the definitive proxy statement for our 2004 annual meeting of shareholders, which is to be filed with the SEC within 120 days after our fiscal year end.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference to the applicable information in the definitive proxy statement for our 2004 annual meeting of shareholders, which is to be filed with the SEC within 120 days after our fiscal year end.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference to the applicable information in the definitive proxy statement for our 2004 annual meeting of shareholders, which is to be filed with the SEC within 120 days after our fiscal year end.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)(1) Financial Statements

The information required by this Item is included in Item 8 of Part II of this Annual Report.

(a)(2) Financial Statement Schedule

The following financial statement schedule for the years ended December 31, 2001, 2002 and 2003, is included in this Annual Report as set forth below.

Pediatrix Medical Group, Inc.
Schedule II: Valuation and Qualifying Accounts

	Years Ended December 31,		
	2001	2002	2003
		(in thousands)	
Allowance for contractual adjustments and uncollectibles:			
Balance at beginning of year	$ 101,949	$ 129,314	$ 135,427
Amount charged against operating revenue	500,284	630,237	841,622
Accounts receivable written-off (net of recoveries)	(472,919)	(624,124)	(777,240)
Balance at end of year	$ 129,314	$ 135,427	$ 199,809

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

(a)(3) Exhibits

See Item 15(c) of this Annual Report.

(b) Reports On Form 8-K

Current Report on Form 8-K, dated October 30, 2003, reporting Item 5 (Other Events) related to a press release announcing the voluntary dismissal of all class action lawsuits filed against the Company and certain officers and directors in June and July 2003, and reporting Item 12 (Results of Operations and Financial Condition) re-affirming the Company's financial guidance for the three months ended September 30, 2003.

Current Report on Form 8-K, dated November 5, 2003, reporting Item 12 (Results of Operations and Financial Condition) related to a press release announcing the Company's results of operations for the quarter ended September 30, 2003 and introducing earnings guidance for 2004.

Current Report on Form 8-K, dated November 20, 2003, reporting Item 5 (Other Items) related to a press release announcing that the Company's Nevada maternal-fetal practice was served with a search warrant by the State of Nevada.

(c) Exhibits

2.1 Agreement and Plan of Merger dated as of February 14, 2001, among Pediatrix Medical Group, Inc., Infant Acquisition Corp. and Magella Healthcare Corporation (incorporated by reference to Exhibit 2.1 to Pediatrix's Current Report on Form 8-K dated February 15, 2001).

3.1	Amended and Restated Articles of Incorporation of Pediatrix (incorporated by reference to Exhibit 3.1 to Pediatrix's Registration Statement on Form S-1 (Registration No. 33-95086)).
3.2	Amended and Restated Bylaws of Pediatrix (incorporated by reference to Exhibit 3.2 to Pediatrix's Quarterly Report on Form 10-Q for the period ended June 30, 2000).
3.3	Articles of Designation of Series A Junior Participating Preferred Stock of Pediatrix (incorporated by reference to Exhibit 3.1 to Pediatrix's Current Report on Form 8-K dated March 31, 1999).
4.1	Rights Agreement, dated as of March 31, 1999, between Pediatrix and BankBoston, N.A., as rights agent including the form of Articles of Designations of Series A Junior Participating Preferred Stock and the form of Rights Certificate (incorporated by reference to Exhibit 4.1 to Pediatrix's Current Report on Form 8-K dated March 31, 1999).
10.1	Amended and Restated Stock Option Plan of Pediatrix dated as of June 4, 2003 (incorporated by reference to Exhibit 10.5 to Pediatrix's Quarterly Report on Form 10-Q for the period ended June 30, 2003).*
10.2	Amended and Restated Thrift and Profit Sharing Plan of Pediatrix (incorporated by reference to Exhibit 4.5 to Pediatrix's Registration Statement on Form S-8 (Registration No. 333-101222)).*
10.3	1996 Qualified Employee Stock Purchase Plan of Pediatrix, as amended and restated (incorporated by reference to Exhibit 4.5 to Pediatrix's Registration Statement on Form S-8 (Registration No. 333-07061)).*
10.4	1996 Non-Qualified Employee Stock Purchase Plan of Pediatrix, as amended and restated (incorporated by reference to Exhibit 4.5 to Pediatrix's Registration Statement on Form S-8 (Registration No. 333-101225)).*
10.5	Executive Non-Qualified Deferred Compensation Plan of Pediatrix, dated October 13, 1997 (incorporated by reference to Exhibit 10.35 to Pediatrix's Quarterly Report on Form 10-Q for the period ended June 30, 1998).*
10.6+	Form of Indemnification Agreement between Pediatrix and each of its directors and executive officers.*
10.7+	Form of Amended and Restated Exclusive Management and Administrative Services Agreement between Pediatrix and each of its affiliated professional contractors.*
10.8	Employment Agreement, dated January 1, 1999, between Karl B. Wagner and Pediatrix (incorporated by reference to Exhibit 10.38 to Pediatrix's Quarterly Report on Form 10-Q for the period ended September 30, 1999).*
10.9	First Amendment to Employment Agreement dated January 1, 2003 between Karl B. Wagner and Pediatrix (incorporated by reference to Exhibit 10.12.1 to Pediatrix's Annual Report on Form 10-K for the year December 31, 2002).*
10.10+	Amended and Restated Employment Agreement, dated as of April 1, 2003, between Pediatrix and Roger J. Medel, M.D.*

10.11	Amended and Restated Credit Agreement, dated as of August 14, 2001, among Pediatrix, certain of its affiliated professional contractors, Fleet National Bank, Firstar Bank N.A., UBS AG, The International Bank of Miami, N.A., and Fleet Securities, Inc. (incorporated by reference to Exhibit 10.21 to Pediatrix's Quarterly Report on Form 10-Q for the period ended September 30, 2001).
10.12	Amendment No. 1 to Amended and Restated Credit Agreement, dated as of August 29, 2001, among Pediatrix, certain professional contractors, Fleet National Bank, Firstar Bank N.A., UBS AG, The International Bank of Miami, N.A. and HSBC Bank (incorporated by reference to Exhibit 10.23 to Pediatrix's Quarterly Report on Form 10-Q for the period ended September 30, 2001).
10.13	Amendment No. 2 to Amended and Restated Credit Agreement, dated as of June 28, 2002, among Pediatrix, certain of its affiliated professional contractors, Fleet National Bank, U.S. Bank National Association, and HSBC Bank USA (incorporated by reference to Exhibit 10.1 to Pediatrix's Quarterly Report on Form 10-Q for the period ended June 30, 2002).
10.14	Amendment No. 3 to Amended and Restated Credit Agreement, dated as of November 22, 2002, among Pediatrix, certain of its affiliated professional contractors, Fleet National Bank, U.S. Bank National Association, and HSBC Bank USA (incorporated by reference to Exhibit 10.22 to Pediatrix's Annual Report on Form 10-K for the year ended December 31, 2002).
10.15	Amendment No. 4 to Amended and Restated Credit Agreement, dated as of April 21, 2003, among Pediatrix certain of its affiliated professional contractors, Fleet National Bank, U.S. Bank National Association, and HSBC Bank USA (incorporated by reference to Exhibit 10.24 to Pediatrix's Quarterly Report on Form 10-Q for the period ended March 31, 2003).
10.16	Amendment No. 5 to Amended and Restated Credit Agreement, dated as of May 13, 2003, among Pediatrix, certain of its affiliated professional contractors, Fleet National Bank, U.S. Bank National Association, and HSBC Bank USA (incorporated by reference to Exhibit 10.2 to Pediatrix's Quarterly Report on Form 10-Q for the period ended June 30, 2003).
10.17	Amendment No. 6 to Amended and Restated Credit Agreement, dated as of September 23, 2003, among Pediatrix, certain of its affiliated professional contractors, Fleet National Bank, U.S. Bank National Association, and HSBC Bank USA (incorporated by reference to Exhibit 10.1 to Pediatrix's Quarterly Report on Form 10-Q for the period ended September 30, 2003).
10.18+	Amendment No. 7 to Amended and Restated Credit Agreement, dated as of December 15, 2003, among Pediatrix, certain of its affilaited professional contractors, Fleet National Bank, U.S. Bank National Association, and HSBC Bank USA.
10.19	Security Agreement dated November 1, 2000, between Pediatrix and Fleet National Bank, as Agent (incorporated by reference to Exhibit 10.17 to Pediatrix's Annual Report on Form 10-K for the year ended December 31, 2000).
10.20	Amendment No. 1 to Security Agreement, dated as of August 14, 2001, among Pediatrix, certain of its affiliated professional contractors, and Fleet National Bank, as Agent (incorporated by reference to Exhibit 10.22 to Pediatrix's Quarterly Report on Form 10-Q for the period ended September 30, 2001).
10.21	Stockholders' Agreement dated as of February 14, 2001, among Pediatrix, Infant Acquisition Corp., John K. Carlyle, Cordillera Interest, Ltd., Steven K. Boyd, Ian M. Ratner, M.D., Welsh,

	Carson, Anderson & Stowe VII, L.P., WCAS Healthcare Partners, L.P., the persons listed on Schedule A thereto, Leonard Hilliard, M.D., The Hilliard Family Partnership, Ltd. and Gregg C. Lund, D.O. (incorporated by reference to Exhibit 10.40 to Pediatrix's Current Report on Form 8-K dated February 15, 2001).
10.22	Standstill and Registration Rights Agreement dated as of May 15, 2001, among Pediatrix, Welsh, Carson, Anderson & Stowe VII, L.P., WCAS Healthcare Partners, L.P., the persons listed on Schedule A thereto, John K. Carlyle, Cordillera Interest, Ltd., Steven K. Boyd, Ian M. Ratner, M.D., Roger J. Medel, M.D., Kristen Bratberg, Joseph Calabro, Karl B. Wagner and Brian T. Gillon (incorporated by reference to Exhibit 10.1 to Pediatrix's Current Report on Form 8-K dated May 25, 2001).
21.1+	Subsidiaries of the registrant.
23.1+	Consent of PricewaterhouseCoopers LLP.
31.1+	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32+	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management contract or compensation plan or arrangement.

\+ Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PEDIATRIX MEDICAL GROUP, INC.

Date: March 12, 2004

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

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

Signature	Title	Date
/s/ Roger J. Medel, M.D. Roger J. Medel, M.D.	President and Chief Executive Officer (principal executive officer)	March 12, 2004
/s/ Karl B. Wagner Karl B. Wagner	Chief Financial Officer (principal financial officer and principal accounting officer)	March 12, 2004
/s/ Cesar L. Alvarez Cesar L. Alvarez	Director	March 12, 2004
/s/ Waldemar A. Carlo, M.D. Waldemar A. Carlo, M.D.	Director	March 12, 2004
/s/ John K. Carlyle John K. Carlyle	Director and Chairman of the Board	March 12, 2004
/s/ Michael B. Fernandez Michael B. Fernandez	Director	March 12, 2004
/s/ Roger K. Freeman, M.D. Roger K. Freeman, M.D.	Director	March 12, 2004
/s/ Paul G. Gabos Paul G. Gabos	Director	March 12, 2004

EXHIBIT 10.6

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT, dated as of the ____ day of _____, 200_, between PEDIATRIX MEDICAL GROUP, INC., a Florida corporation (the "Company"), and _____, (the "Indemnitee").

RECITALS

A. The Indemnitee is currently serving as a director and/or executive officer of the Company and the Company desires to continue to retain the services of the Indemnitee as a director and/or executive officer of the Company.

B. The Company and the Indemnitee recognize the increased risk of litigation and other claims being asserted against directors and officers of public companies and the subsidiaries of such companies.

C. The Amended and Restated Articles of Incorporation (the "Articles of Incorporation") of the Company provide for indemnification to its directors and officers and eliminates or limits the liability of a director or officer to the fullest extent permitted by the Florida Business Corporation Act (the "Florida Act"), and the Indemnitee has been serving and continues to serve as a director and/or officer of the Company, in part, in reliance on such provisions of the Articles of Incorporation.

D. The Indemnitee has indicated that the Indemnitee does not regard the indemnities available under the Company's Articles of Incorporation and bylaws and available insurance, if any, as adequate to protect the Indemnitee against the risks associated with services by the Indemnitee to the Company. As a condition to the Indemnitee's agreement to continue to serve as such, the Indemnitee requires that the Indemnitee be indemnified from liability in accordance with the provisions of this Agreement to the fullest extent permitted by law.

E. The Company recognizes that the Indemnitee needs substantial protection against personal liability in order to maintain the Indemnitee's continued service to the Company in an effective manner and is willing to indemnify the Indemnitee in accordance with the provisions of this Agreement to the fullest extent permitted by law in order to continue to retain the services of the Indemnitee.

F. The Company desires to provide in this Agreement for indemnification of, and the advance of expenses to, Indemnitee to the fullest extent (whether partial or complete) permitted by law, as set forth in this Agreement and, to the extent officers' and directors' liability insurance is maintained by the Company, to provide for the continued coverage of the Indemnitee under the Company's officers' and directors' liability insurance policies, in part to provide the Indemnitee with specific contractual assurance that the protection promised by the indemnification provisions of the Articles of Incorporation will be available to the Indemnitee

(regardless of, among other things, any amendment to or revocation of such provisions of the Articles of Incorporation or any change in the composition of the Company's Board of Directors or any acquisition transaction relating to the Company).

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants contained herein and the Indemnitee's past and continued service to the Company, the Company and the Indemnitee agree as follows:

SECTION 1. INDEMNIFICATION IN PROCEEDINGS OTHER THAN THOSE BY OR IN THE RIGHT OF THE COMPANY. Subject to Sections 4 and 13 hereof, the Company shall indemnify and hold harmless the Indemnitee from and against any and all claims, damages, expenses, costs (including attorneys' fees and costs of other professionals), judgments, penalties, fines (including excise taxes assessed with respect to an employee benefit plan), settlements, and all other liabilities incurred or paid by the Indemnitee in connection with the investigation, defense, prosecution, settlement or appeal of, or being or preparing to be a witness in, or participating in, any threatened, pending or completed action, suit, investigation that the Indemnitee in good faith believes might lead to the institution of such action, or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Company) and to which the Indemnitee was or is a party or is threatened to be made a party or was or is a witness or participates or may participate in by reason of the fact that the Indemnitee is or was an officer, director, manager, consultant, stockholder, employee or agent of the Company or any of its subsidiaries, or is or was serving at the request of the Company or any of its subsidiaries as an officer, director, consultant, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, or by reason of anything done or not done by the Indemnitee in any such capacity or capacities, provided that the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal action or proceeding, had no reasonable cause to believe that the Indemnitee's conduct was unlawful.

SECTION 2. INDEMNIFICATION IN PROCEEDINGS BY OR IN THE RIGHT OF THE COMPANY. Subject to Sections 4 and 13 hereof, the Company shall indemnify and hold harmless the Indemnitee from and against any and all expenses (including attorneys' fees) and amounts paid in settlement actually and reasonably incurred by the Indemnitee in connection with the investigation, defense, prosecution, settlement or appeal of, or being or preparing to be a witness in, or participating in, any threatened, pending or completed action, suit, investigation that the Indemnitee in good faith believes might lead to the institution of such action, or proceeding by or in the right of the Company to procure a judgment in its favor, whether civil, criminal, administrative or investigative, and to which the Indemnitee was or is a party or is threatened to be made a party or was or is a witness or participate or may participate in by reason of the fact that the Indemnitee is or was an officer, director, manager, consultant, stockholder, employee or agent of the Company or any of its subsidiaries, or is or was serving at the request of the Company or any of its subsidiaries as an officer, director, consultant, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, or by reason of anything done or not done by the Indemnitee in any such capacity or capacities, provided that (i) the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, (ii)

indemnification for amounts paid in settlement shall not exceed the estimated expense of litigating the proceeding to conclusion and (iii) no indemnification shall be made under this Section 2 in respect of any claim, issue or matter as to which the Indemnitee shall have been adjudged to be liable unless, and only to the extent that, the court in which such proceeding was brought (or any other court of competent jurisdiction) shall determine upon application that, despite the adjudication of such liability but in view of all the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

SECTION 3. REIMBURSEMENT OF EXPENSES FOLLOWING ADJUDICATION OF NEGLIGENCE. Subject to Sections 4 and 13 hereof, the Company shall reimburse the Indemnitee for any expenses (including attorney's fees) and amounts paid in settlement actually and reasonably incurred by the Indemnitee in connection with the investigation, defense, settlement or appeal of any action, suit or proceeding described in Section 2 hereof that results in an adjudication that the Indemnitee was liable, other than for willful misconduct in the performance of his duty to the Company; provided, however, that the Indemnitee acted in good faith and in a manner the Indemnitee believed to be in the best interests of the Company.

SECTION 4. AUTHORIZATION OF INDEMNIFICATION OR REIMBURSEMENT. Any indemnification under Sections 1 and 2 hereof (unless ordered by a court) and any reimbursement made under Section 3 hereof shall be made by the Company only as authorized in the specific case upon a determination (the "Determination") that indemnification or reimbursement of the Indemnitee is proper in the circumstances because the Indemnitee has met the applicable standard of conduct set forth in Section 1, 2 or 3 hereof, as the case may be. Subject to Sections 5.5, 5.6 and 8 of this Agreement, the Determination shall be made in the following order of preference:

(1) first, by the Company's Board of Directors (the "Board") by majority vote or consent of a quorum consisting of directors ("Disinterested Directors") who are not, at the time of the Determination, named parties to such action, suit or proceeding; or

(2) next, if such a quorum of Disinterested Directors cannot be obtained, by majority vote or consent of a committee duly designated by the Board (in which designation all directors, whether or not Disinterested Directors, may participate) consisting solely of two or more Disinterested Directors; or

(3) next, if such a committee cannot be designated, by any independent legal counsel selected in accordance with Section 5.5.

4.1. No Presumptions. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Indemnitee did not act in good faith and in a manner that the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and with respect to any criminal action or proceeding, knew that the Indemnitee's conduct was unlawful.

4.2. Benefit Plan Conduct. The Indemnitee's conduct with respect to an employee benefit plan for a purpose the Indemnitee reasonably believed to be in the interests of the participants in and beneficiaries of the plan shall be deemed to be conduct that the Indemnitee reasonably believed to be not opposed to the best interests of the Company.

4.3. Reliance as Safe Harbor. For purposes of any Determination hereunder, the Indemnitee shall be deemed to have acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe or did not know the Indemnitee's conduct was unlawful, if the Indemnitee's action is based on (i) the records or books of account of the Company or another enterprise, including financial statements, (ii) information supplied to the Indemnitee by the officers of the Company or another enterprise in the course of their duties, (iii) the advice of legal counsel for the Company or another enterprise, or (iv) information or records given or reports made to the Company or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Company or another enterprise. The term "another enterprise" as used in this Section 4.3 shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which the Indemnitee is or was serving at the request of the Company or any of its subsidiaries as an officer, director, consultant, partner, trustee, employee or agent. The provisions of this Section 4.3 shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in Sections 1, 2 or 3 hereof, as the case may be.

4.4. Success on Merits or Otherwise. To the extent that the Indemnitee has been successful on the merits or otherwise in defense of any action, suit or proceeding described in Section 1 or 2 hereof, or in defense of any claim, issue or matter therein, the Indemnitee shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by the Indemnitee in connection with the investigation, defense, settlement or appeal thereof. For purposes of this Section 4.4, the term "successful on the merits or otherwise" shall include, but not be limited to, (i) any termination, withdrawal, or dismissal (with or without prejudice) of any claim, action, suit or proceeding against the Indemnitee without any express finding of liability or guilt against the Indemnitee, (ii) the expiration of 120 days after the making of any claim or threat of an action, suit or proceeding without the institution of the same and without any promise or payment made to induce a settlement, or (iii) the settlement of any action, suit or proceeding under Section 1, 2 or 3 hereof pursuant to which the Indemnitee pays less than $25,000.

4.5. Partial Indemnification or Reimbursement. If the Indemnitee is entitled under any provision of this Agreement to indemnification and/or reimbursement by the Company for some or a portion of the claims, damages, expenses (including attorneys' fees and costs of other professionals), judgments, fines or amounts paid in settlement by the Indemnitee in connection with the investigation, defense, settlement or appeal of any action specified in Section 1, 2 or 3 hereof, but not, however, for the total amount thereof, the Company shall nevertheless indemnify and/or reimburse the Indemnitee for the portion thereof to which the Indemnitee is entitled. The party or parties making the Determination shall determine the portion (if less than all) of such claims, damages, expenses (including attorneys' fees), judgments, fines or amounts paid in

settlement for which the Indemnitee is entitled to indemnification and/or reimbursement under this Agreement.

SECTION 5. PROCEDURES FOR DETERMINATION OF WHETHER STANDARDS HAVE BEEN SATISFIED.

5.1. Costs. All costs of making any Determination required by Section 4 or 5 hereof shall be borne solely by the Company, including, but not limited to, the costs of legal counsel and judicial determinations. The Company shall also be solely responsible for paying (i) all reasonable expenses incurred by the Indemnitee to enforce this Agreement, including, but not limited to, the costs incurred by the Indemnitee to obtain court-ordered indemnification pursuant to Section 8 hereof, regardless of the outcome of any such application or proceeding, and (ii) all costs of defending any suits or proceedings challenging payments to the Indemnitee under this Agreement.

5.2. Timing of the Determination. The Company shall use its best efforts to make the Determination contemplated by Section 4 or 5 hereof promptly. In addition, the Company agrees:

(a) if the Determination is to be made by the Board or a committee thereof, such Determination shall be made not later than 15 days after a written request for a Determination (a "Request") is delivered to the Company by the Indemnitee; and

(b) if the Determination is to be made by independent legal counsel, such Determination shall be made not later than 30 days after a Request is delivered to the Company by the Indemnitee.

The failure to make a Determination within the above-specified time period shall constitute a Determination approving full indemnification or reimbursement of the Indemnitee. Notwithstanding anything herein to the contrary, the Determination may be made in advance of (i) the Indemnitee's payment (or incurring) of expenses with respect to which indemnification or reimbursement is sought, and/or (ii) final disposition of the action, suit or proceeding with respect to which indemnification or reimbursement is sought.

5.3. Reasonableness of Expenses. The evaluation and finding as to the reasonableness of expenses incurred by the Indemnitee for purposes of this Agreement shall be made (in the following order of preference) within 15 days of the Indemnitee's delivery to the Company of a Request that includes a reasonable accounting of expenses incurred:

(a) first, by the Board by a majority vote of a quorum consisting of Disinterested Directors; or

(b) next, if a quorum of Disinterested Directors cannot be obtained by majority vote or consent of a committee duly designated by the Board (in which designation all directors, whether or not Disinterested Directors, may participate), consisting solely of two or more Disinterested Directors; or

(c) next, if such a committee cannot be designated, by any independent legal counsel selected in accordance with Section 5.5; provided, that, if the determination for authorization of Indemnification was made by independent counsel pursuant to Section 4(3) hereof, then the evaluation and finding of reasonableness shall in all events be made by independent legal counsel.

All expenses shall be considered reasonable for purposes of this Agreement if the finding contemplated by this Section 5.3 is not made within the prescribed time. The finding required by this Section 5.3 may be made in advance of the payment (or incurring) of the expenses for which indemnification or reimbursement is sought.

5.4. Payment of Indemnified Amount. Immediately following a Determination that the Indemnitee has met the applicable standard of conduct set forth in Section 1, 2 or 3 hereof, as the case may be, and the finding of reasonableness of expenses contemplated by Section 5.3 hereof, or the passage of time prescribed for making such determination(s), the Company shall pay to the Indemnitee in cash the amount to which the Indemnitee is entitled to be indemnified and/or reimbursed, as the case may be, without further authorization or action by the Board; provided, however, that the expenses for which indemnification or reimbursement is sought have actually been incurred by the Indemnitee.

5.5. Selection of Independent Legal Counsel. If the Determination required under Section 4 or 5 is to be made by independent legal counsel, such counsel shall be selected by the Board described in Section 4(1) hereof or the committee of the Board described in Section 4(2) hereof. The fees and expenses incurred by counsel in making any Determination (including Determinations pursuant to Section 5.7 hereof) shall be borne solely by the Company regardless of the results of any Determination and, if requested by counsel, the Company shall give such counsel an appropriate written agreement with respect to the payment of their fees and expenses and such other matters as may be reasonably requested by counsel.

5.6. Right of Indemnitee to Appeal an Adverse Determination by Board. If a Determination is made by the Board or a committee thereof that the Indemnitee did not meet the applicable standard of conduct set forth in Section 1, 2 or 3 hereof or that the Indemnitee's expenses are not reasonable as set forth in Section 5.3 hereof, upon the written request of the Indemnitee and the Indemnitee's delivery of $5,000 to the Company, the Company shall cause a new Determination to be made by independent legal counsel, which independent legal counsel shall be selected in accordance with Section 5.5. Subject to Section 8 hereof, such Determination by such independent legal counsel shall be binding and conclusive for all purposes of this Agreement.

5.7. Right of Indemnitee To Select Forum For Determination. If, at any time subsequent to the date of this Agreement, "Continuing Directors" do not constitute a majority of the members of the Board, or there is otherwise a change in control of the Company (as contemplated by Item 403(c) of Regulation S-K), then the Determination required by Section 4 or 5 hereof shall be made by independent legal counsel selected by the Indemnitee and approved by the Board (which approval shall not be unreasonably withheld), which counsel shall be deemed to satisfy the requirements of clause (3) of Section 4 and clause (c) of Section 5.3 hereof. If none of the legal counsel selected by the Indemnitee are willing and/or able to make the

Determination, then the Company shall cause the Determination to be made by a majority vote or consent of a Board committee consisting solely of Continuing Directors. For purposes of this Agreement, a "Continuing Director" means either a member of the Board at the date of this Agreement or a person nominated to serve as a member of the Board by a majority of the then Continuing Directors.

5.8. Access by Indemnitee to Determination. The Company shall afford to the Indemnitee and the Indemnitee's representatives ample opportunity to present evidence of the facts upon which the Indemnitee relies for indemnification or reimbursement, together with other information relating to any requested Determination.

5.9. Judicial Determinations in Derivative Suits. In each action or suit described in Section 2 hereof, the Company shall cause its counsel to use its best efforts to obtain from the Court in which such action or suit was brought (i) an express adjudication whether the Indemnitee is liable for negligence or misconduct in the performance of his duty to the Company, and, if the Indemnitee is so liable, (ii) a determination whether and to what extent, despite the adjudication of liability but in view of all the circumstances of the case (including this Agreement), the Indemnitee is fairly and reasonably entitled to indemnification.

5.10. Burden of Proof. In the event of any claim by the Indemnitee for indemnification hereunder, there shall be a presumption that the Indemnitee is entitled to indemnification hereunder and the Company shall have the burden of proving that the Indemnitee is not entitled to such indemnification.

SECTION 6. SCOPE OF INDEMNITY. The actions, suits and proceedings described in Sections 1 and 2 hereof shall include, for purposes of this Agreement, any actions that involve, directly or indirectly, activities of the Indemnitee both in his official capacities as a Company director or officer and actions taken in another capacity while serving as director or officer, including, but not limited to, actions or proceedings involving (i) compensation paid to the Indemnitee by the Company, (ii) activities by the Indemnitee on behalf of the Company, including actions in which the Indemnitee is plaintiff, (iii) actions alleging a misappropriation of a "corporate opportunity," (iv) responses to a takeover attempt or threatened takeover attempt of the Company, (v) transactions by the Indemnitee in Company securities, and (vi) the Indemnitee's preparation for and appearance (or potential appearance) as a witness in any proceeding relating, directly or indirectly, to the Company. In addition, the Company agrees that, for purposes of this Agreement, all services performed by the Indemnitee on behalf of, in connection with or related to any subsidiary of the Company, any employee benefit plan established for the benefit of employees of the Company or any subsidiary, any corporation or partnership or other entity in which the Company or any subsidiary has a 5% ownership interest, or any other affiliate shall be deemed to be at the request of the Company.

SECTION 7. ADVANCE FOR EXPENSES.

7.1. Mandatory Advance. Expenses (including attorneys' fees) incurred by the Indemnitee in investigating, defending, settling or appealing, or being or preparing to be a witness in, any action, suit or proceeding described in Section 1 or 2 hereof shall, subject to Section 13 hereof, be paid by the Company in advance of the final disposition of such action, suit

or proceeding. The Company shall promptly pay the amount of such expenses to the Indemnitee, but in no event later than 5 days following the Indemnitee's delivery to the Company of a written request for an advance pursuant to this Section 7, together with a reasonable accounting of such expenses.

7.2. Undertaking to Repay. The Indemnitee hereby undertakes and agrees to repay to the Company any advances made pursuant to this Section 7 if and to the extent that a court of competent jurisdiction shall make a final judgment (as to which all rights of appeal therefrom have been exhausted or lapsed) that the Indemnitee is not entitled to be indemnified by the Company for such amounts or such advances were in violation of Section 13 hereof.

7.3. Miscellaneous. The Company shall make the advances contemplated by this Section 7 regardless of the Indemnitee's financial ability to make repayment, and regardless whether indemnification of the Indemnitee by the Company will ultimately be required. Any advances and undertakings to repay pursuant to this Section 7 shall be unsecured and interest-free.

SECTION 8. COURT-ORDERED INDEMNIFICATION. Regardless of whether the Indemnitee has met the standard of conduct set forth in Sections 1, 2 or 3 hereof, as the case may be, and notwithstanding the presence or absence of any Determination whether such standards have been satisfied and notwithstanding any other provision hereof, the Indemnitee may apply for indemnification (and/or reimbursement pursuant to Section 3 or 12 hereof) to the court conducting any proceeding to which the Indemnitee is a party or a witness or to any other court of competent jurisdiction. On receipt of an application, the court, after giving any notice the court considers necessary, may order indemnification (and/or reimbursement) if it determines the Indemnitee is fairly and reasonably entitled to indemnification (and/or reimbursement) in view of all the relevant circumstances (including this Agreement).

SECTION 9. CONTRIBUTION. If and to the extent that a final adjudication shall specify that the Company is not obligated to indemnify Indemnitee under this Agreement for any reason (by reason of public policy, as a matter of law or otherwise), then in respect of any threatened, pending or completed action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be so liable if joined in such action, suit or proceeding), the Company shall contribute to the amount of expenses (including attorneys' fees and costs of other professionals), judgments, penalties, fines (including excise taxes assessed), settlements and all other liabilities incurred and paid or payable by Indemnitee in connection with such action, suit or proceeding in such proportion as is appropriate to reflect (i) the relative benefits received by the Company on the one hand and Indemnitee on the other hand from the transaction with respect to which such action, suit or proceeding arose, and (ii) the relative fault of the Company on the one hand and of Indemnitee on the other hand in connection with the circumstances which resulted in such expenses, judgments, fines or settlement amounts, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of Indemnitee on the other hand shall be determined by reference to among other things, the parties' relative intent, knowledge, access to information and opportunity to correct or prevent the circumstances resulting in such expense, judgments, fines or settlement amounts. The Company agrees that it would not be just and equitable if contribution pursuant to this Section 9 were determined by pro

rata allocation or any other method of allocation which does not take account of the foregoing equitable considerations.

SECTION 10. NONDISCLOSURE OF PAYMENTS. Except as required by law, neither party shall disclose any payments under this Agreement unless prior approval of the other party is obtained. Any payments to the Indemnitee that must be disclosed shall, unless otherwise required by law, be described only in Company proxy or information statements relating to special and/or annual meetings of the Company's shareholders, and the Company shall afford the Indemnitee the reasonable opportunity to review all such disclosures and, if requested, to explain in such statement any mitigating circumstances regarding the events reported.

SECTION 11. COVENANT NOT TO SUE, LIMITATION OF ACTIONS AND RELEASE OF CLAIMS. No legal action shall be brought and no cause of action shall be asserted by or on behalf of the Company (or any of its subsidiaries) against the Indemnitee, the spouse, heirs, executors, personal representatives or administrators of the Indemnitee after the expiration of five years from the date the Indemnitee ceases (for any reason) to serve as either an officer or a director of the Company, and any claim or cause of action of the Company (or any of its subsidiaries) shall be extinguished and deemed released unless asserted by filing of a legal action within such five year period.

SECTION 12. INDEMNIFICATION OF INDEMNITEE'S ESTATE; TERM OF AGREEMENT. Notwithstanding any other provision of this Agreement, and regardless whether indemnification of the Indemnitee would be permitted and/or required under this Agreement, if the Indemnitee is deceased, the Company shall indemnify and hold harmless the Indemnitee's estate, spouse, heirs, administrators, personal representatives and executors (collectively the "Indemnitee's Estate") against, and the Company shall assume, any and all claims, damages, expenses, costs (including attorneys' fees and costs of other professionals), penalties, judgments, fines and amounts paid in settlement actually incurred by the Indemnitee or the Indemnitee's Estate in connection with the investigation, defense, settlement or appeal of any action described in Section 1 or 2 hereof. Indemnification of the Indemnitee's Estate pursuant to this Section 12 shall be mandatory and not require a Determination or any other finding that the Indemnitee's conduct satisfied a particular standard of conduct. This Agreement shall continue until and terminate upon the later of: (i) ten (10) years after the date that the Indemnitee shall have ceased to serve as an officer or director of the Company; or (ii) the entry of a judgment, order or award, not subject to appeal, in any claim asserted against the Indemnitee subject to this Agreement.

SECTION 13. LIMITATION ON INDEMNIFICATION. Notwithstanding any other provisions of this Agreement, but subject to the provisions of Section 15 hereof, the Indemnitee shall not be entitled to indemnification or advancement of expenses if (i) a judgment or other final adjudication establishes that the actions of the Indemnitee, or omissions to act, were material to the cause of action so adjudicated and constitute: (a) a violation of the criminal law, unless the Indemnitee had reasonable cause to believe the conduct of the Indemnitee was lawful or had no reasonable cause to believe the conduct of the Indemnitee was unlawful; (b) a transaction from which the Indemnitee derived an improper personal benefit; (c) in the case of a director, a circumstance under which the liability provisions relating to unlawful distributions under Section 607.0834 of the Florida Act are applicable; or (d) willful misconduct or a

conscious disregard for the best interests of the Company in a proceeding by or in the right of the Company to procure a judgment in its favor or in a proceeding by or in the right of a shareholder; or (ii) such indemnification or advancement of expenses is prohibited by law.

SECTION 14. MAINTENANCE OF INSURANCE. The Company represents that a copy of the policies of directors and officers liability insurance that are in effect are set forth as Exhibit A hereto. The Company hereby agrees that during the period commencing on the date hereof and ending five years from the date the Indemnitee ceases to serve the Company, the Company shall purchase and maintain in effect for the benefit of the Indemnitee such insurance providing coverage at least as favorable to the Indemnitee as that presently provided, if such insurance can be purchased for premiums not in excess of 150% of the amount of the current premiums, adjusted from time to time in accordance with the Consumer Price Index, or, if such coverage cannot be obtained, the maximum coverage that can be obtained for 150% of the amount of the current premiums adjusted from time to time in accordance with the Consumer Price Index.

SECTION 15. CHANGES IN THE LAW. If any change after the date of this Agreement in any applicable law, statute or rule or the Company's Articles of Incorporation expands the power of the Company to indemnify the Indemnitee, such change shall be within the purview of the Indemnitee's rights and the Company's obligations under this Agreement. If any change in any applicable law, statute or rule or the Company's Articles of Incorporation narrows the right of the Company to indemnify a person such as the Indemnitee, such change, to the extent not otherwise required by such law, statute or rule or the Company's Articles of Incorporation to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations thereunder.

SECTION 16. MISCELLANEOUS.

16.1. Notice Provision. Any notice, payment, demand or communication required or permitted to be delivered or given by the provisions of this Agreement shall be deemed to have been effectively delivered or given and received on the date personally delivered to the respective party to whom it is directed, or when deposited by registered or certified mail, with postage and charges prepaid and addressed to the parties at the addresses set forth below opposite their signatures to this Agreement.

16.2. Entire Agreement. Except for the Company's Articles of Incorporation, this Agreement constitutes the entire understanding of the parties and supersedes all prior understandings, whether written or oral, between the parties with respect to the subject matter of this Agreement. Nothing in this Agreement shall be deemed to limit any other indemnification to which the Indemnitee may be entitled, including under the Company's Articles of Incorporation, without duplication of payment.

16.3. Severability of Provisions. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws effective during the term of this Agreement, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect

and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of each such illegal, invalid, or unenforceable provision there shall be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid, and enforceable.

16.4. Applicable Law. This Agreement shall be governed by and construed under the laws of the State of Florida.

16.5. Execution in Counterparts. This Agreement and any amendment may be executed simultaneously or in counterparts, each of which together shall constitute one and the same instrument.

16.6. Cooperation and Intent. The Company shall cooperate in good faith with the Indemnitee and use its best efforts to ensure that the Indemnitee is indemnified and/or reimbursed for liabilities described herein to the fullest extent permitted by law.

16.7. Amendment. No amendment, modification or alteration of the terms of this Agreement shall be binding unless in writing, dated subsequent to the date of this Agreement, and executed by the parties.

16.8. Binding Effect. The obligations of the Company to the Indemnitee hereunder shall survive and continue as to the Indemnitee even if the Indemnitee ceases to be a director, officer, consultant, employee and/or agent of the Company. Each and all of the covenants, terms and provisions of this Agreement shall be binding upon and inure to the benefit of the successors to the Company and, upon the death of the Indemnitee, to the benefit of the estate, heirs, executors, administrators and personal representatives of the Indemnitee.

16.9. Nonexclusivity. The rights of indemnification and reimbursement provided in this Agreement shall be in addition to any rights to which the Indemnitee may otherwise be entitled by statute, bylaw, agreement, vote of stockholders or otherwise.

16.10. Effective Date. The provisions of this Agreement shall cover claims, actions, suits and proceedings whether now pending or hereafter commenced and shall be retroactive to cover acts or omissions or alleged acts or omissions which heretofore have taken place.

EXECUTED AS OF THE DATE FIRST ABOVE WRITTEN.

ADDRESS:	THE COMPANY:
1301 Concord Terrace Sunrise, Florida 33323-2825	PEDIATRIX MEDICAL GROUP, INC.
Attention:	By: _____ Name: _____ Title: _____
ADDRESS:	THE INDEMNITEE:
_____ _____ _____	_____ Name:

AMENDED AND RESTATED EXCLUSIVE MANAGEMENT AND ADMINISTRATIVE SERVICES AGREEMENT

THIS AMENDED AND RESTATED EXCLUSIVE MANAGEMENT AND ADMINISTRATIVE SERVICES AGREEMENT (the "Agreement") effective January 1, 2003, is by and between PEDIATRIX MEDICAL GROUP, INC., a Florida corporation ("Manager") and _____, a _____ professional corporation ("Practice").

WHEREAS, Practice is a professional corporation or association which employs physicians and other clinical professionals qualified to provide neonatology, perinatology, and/or certain other pediatric services to patients ("Professional Medical Services"); and

WHEREAS, Manager is a corporation engaged in the business of providing administrative and management services to medical practices and hospitals, including arranging for the provision of Professional Medical Services; and

WHEREAS, Manager and Practice are parties to that certain Exclusive Management and Administrative Services Agreement dated _____ (the "Prior Agreement") pursuant to which Practice engaged Manager for the provision of management and administrative services; and

WHEREAS, in recognition of and in consideration for the parties' mutual obligations to each other with respect to the handling of protected healthcare information and in order to take into account other changes in practice operations since execution of the Prior Agreement, the parties desire to enter into this Agreement pursuant to the terms set forth below; and

WHEREAS, the Prior Agreement is superseded and replaced in its entirety by this Agreement.

NOW, THEREFORE, in consideration of the mutual premises and other valuable consideration, the sufficiency of which is hereby acknowledged, the parties intending to be legally bound by this Agreement, agree as follows:

ARTICLE 1.

ENGAGEMENT

Practice hereby engages Manager, and Manager hereby agrees to be engaged by Practice, to provide the management and administrative services described in this Agreement, and to arrange for Practice, through the physician and other clinical employees or independent contractors of Practice (the "Professionals"), to provide the Professional Medical Services to hospital(s) and patients.

ARTICLE 2.

DUTIES OF MANAGER

Manager shall provide all of the management and administrative services required for the day-to-day operations of Practice. Manager shall have exclusive authority over all decision-making relating to ongoing, major or central operations of Practice (except for decision-making relating to the delivery of Professional Medical Services, which shall be the exclusive responsibility of the Professionals). Specifically, Manager shall have exclusive decision-making authority over the scope of services (other than Professional Medical Services), patient acceptance policies and procedures, pricing of services, negotiation and execution of contracts, establishment and approval of operating and capital budgets, and issuance of debt by the Practice. Further, Manager shall have exclusive authority over total compensation of the Professionals as well as the ability to establish and implement guidelines for the selection, hiring and firing of Professionals. Additional responsibilities and duties of Manager hereunder shall include the following:

2.1 Coding. Manager will provide resources to the Practice to assist with the process of assigning CPT and ICD-9 codes to the Professional Medical Services provided by the Professionals. Such services may include implementation of coding guidelines, computerized billing programs, and individual coding review. The Practice acknowledges that, although Manager will provide resources to assist the coding process, final coding decisions shall be the responsibility of the Professionals. Practice and Manager acknowledge that, in connection with such coding support, it may be necessary to provide Manager with Protected Health Information (as defined in Section 2.17) and Practice and Manager agree to treat such information in accordance with Section 2.17 hereof.

2.2 Billing and Collection Services. Manager shall provide billing and collection services for all Professional Medical Services rendered by Practice and its Professionals. Such services shall include: the correlation of records kept by the Professionals who render care; maintenance of insurance information for each patient; computation and submission of regular bills for each patient account; pursuit of any disputed claims, including the filing of lawsuits to obtain payment; and accounting for the collection of all revenues. To facilitate the expeditious collection of all of Practice's fees for services provided by its Professionals, and to assist Manager in providing appropriate cash flow management to Practice, Practice hereby assigns to Manager all of its professional fees and accounts receivable for services provided, excluding fees and accounts receivable relating to professional services rendered to patients eligible for coverage under the Medicare or Medicaid programs or other third party payors which refuse to honor such assignments, and hereby appoints Manager as its true and lawful attorney-in-fact, with full power to collect and otherwise deal in and with such fees and receivables assigned by Practice; provided, however, that, to the extent allowed by law, Practice assigns to Manager all income received by it on account of services rendered to patients of Practice who are eligible for coverage in the Medicare or Medicaid programs and other third party payors which refuse to honor assignments, and Practice agrees to surrender, transfer, and remit to Manager promptly all

fees received on behalf of or from such patients. Practice agrees to execute any and all instruments and documents deemed necessary or desirable by Manager to carry out the provisions of this section. Practice agrees that to the extent Manager receives notice from a hospital of, or Manager makes on its own behalf, a bona fide request to write-off or hold in abeyance any of Practice's professional fees, that Practice will not unreasonably refuse the request of the hospital or Manager. Practice and Manager acknowledge that, in connection with such billing and collection services, it may be necessary to provide Manager with Protected Health Information and Practice and Manager agree to treat such information in accordance with Section 2.17 hereof.

2.3 Third Party Payors. Manager shall act as the liaison of Practice with all third party payors for the purpose of negotiating managed care, preferred provider, and other agreements with such third party payors. Manager shall monitor performance of the respective parties to such agreements for compliance with the terms and conditions set forth therein, as well as all applicable Federal and state laws, rules and regulations.

2.4 Hospital Liaison. Manager shall be the administrative liaison between Practice and any hospital in which Practice and/or Professionals provide Professional Medical Services, including pursuant to a contractual arrangement between either Manager or Practice and the hospital. Manager shall provide to Practice all administrative services associated with Practice's Professional Medical Services at such hospitals. Manager shall also bill and collect all medical director stipends, coverage fees or other sums that may be due from such hospitals.

2.5 Personnel Services. Manager shall provide the following personnel services: maintenance of complete personnel records on each employee; establishment and administration of employee benefits, including insurance plans; recruitment of Professionals and recruitment and hiring of non-medical personnel; evaluation and salary recommendations for non-medical personnel; provision of day-to-day management and direction to non-medical personnel; and development of personnel policies and procedures. Manager shall establish payroll accounts and procedures in accordance with Section 2.7.

2.6 Financial Services. Manager shall provide the following financial services: Manager shall provide such bookkeeping services as may be required to keep the books and accounts of Practice, and may retain a professional accountant to perform same; Manager shall ensure that all state and federal tax returns are prepared and filed on a timely basis; and Manager shall track and pay all accounts payable from funds made available by Practice. Manager and Practice shall work together to develop a fee schedule for each service to be provided by Practice; provided, however, that this fee schedule shall be subject to the approval of Manager. Manager shall review the fee schedule on a periodic basis and recommend changes to Practice as may be necessary.

2.7 Cash Management. Manager is authorized to open one or more bank accounts necessary to manage the finances of Practice, at banks designated by Practice. Practice shall approve one or more individuals designated by Manager to have authority to sign checks, make deposits and transact such other business as may be reasonably necessary. Manager is authorized

to establish payroll systems and make payroll payments, pay accounts payable, and otherwise satisfy the obligations of Practice from these accounts. Manager shall deposit all collections from services rendered by Practice into these accounts. Manager shall prepare and provide Practice monthly reconciliations of all bank accounts. Manager may utilize one bank account to deposit funds of Practice and other entities with whom Manager has similar arrangements so long as Manager is able to account for the funds of Practice.

2.8 Recruitment. Manager shall recruit and provide initial screening of Professionals on behalf of Practice. Practice retains responsibility for monitoring and maintaining the qualifications of its Professionals, and agrees that the role of Manager is to present candidates for consideration by Practice consistent with guidelines established by Manager.

2.9 Planning and Budgeting. Manager shall assist Practice in short and long range planning, including the projection of personnel needs, proposals of benefit packages, analyses of future markets, and other necessary planning services. Manager shall prepare annual budgets on behalf of Practice, which shall be submitted to Practice for its approval. Practice agrees to provide Manager with an approved budget ("Annual Budget") no later than 30 days prior to commencement of each fiscal year during the term of this Agreement. Such Annual Budget must be acceptable to Manager in its sole discretion. Practice agrees to operate within and in accordance with the Annual Budget unless the variance from the Annual Budget is previously approved by Manager or it involves an emergency expenditure to maintain required staffing levels or treatment standards and approval of Manager could not be obtained in a timely manner because of the emergency.

2.10 Insurance. Manager shall evaluate, on an ongoing basis, the professional liability, general liability, and other insurance needs of Practice and its employees and Professionals taking into consideration coverage customarily maintained by similar enterprises, hospital requirements, and general availability of coverage in the market. Insurance shall be maintained in accordance with Article 10 hereof.

2.11 Equipment and Supplies. Manager shall develop inventory systems to assure that reasonable inventories of equipment and supplies required by the employees of Practice are available at all times. Manager shall purchase, pay for and arrange for the delivery of such equipment and supplies.

2.12 Compliance. Manager shall develop, on behalf of Practice, a compliance program under which Manager shall make available a Compliance Officer, compliance hotline and compliance training program for Practice's personnel to facilitate compliance by Practice with laws impacting its business and to create a reporting process for concerns regarding compliance issues. Manager shall coordinate filing of all state mandated clinical reports. Practice and Manager acknowledge that, in connection with such compliance initiatives or clinical reports, it may be necessary to provide Manager with Protected Health Information and Practice and Manager agree to treat such information in accordance with Section 2.17 hereof.

2.13 Legal and Risk Management. Manager shall arrange for legal resources to facilitate hospital and clinical employment contracting, lease and other contract review, maintenance of corporate records and minute books, and general legal compliance. Manager also shall develop programs to identify areas of potential legal risk for the Practice and provide and coordinate legal representation in the event of actual or anticipated litigation against Practice. Practice and Manager acknowledge that, in connection with such legal representation, it may be necessary to provide Manager with Protected Health Information and Practice and Manager agree to treat such information in accordance with Section 2.17 hereof.

2.14 The Pediatrix-Obstetrix Center for Research and Education. Manager shall provide educational resources to Professionals, including resources to support continuing medical education requirements of the Professionals under state licensure laws. Manager shall make available to Professionals various resources and opportunities to participate in and support clinical research projects. In addition, Manager shall undertake research using certain clinical data assembled by Practice. Practice and Manager acknowledge that, in connection with such education and research programs, it may be necessary to provide Manager with Protected Health Information and Practice and Manager agree to treat such information in accordance with Section 2.17 hereof.

2.15 Quality Improvement. Consistent with the Health Care Quality Improvement Act of 1986, 42 U.S.C. Section 11101, Manager shall develop and maintain, on Practice's behalf, programs to improve the quality of care provided by Practice's Professionals. Specifically, Manager shall implement the following programs:

(a) Peer Review. Upon a request for peer review from an officer or Professional employee of the Practice, Manager, through its Medical Board, shall arrange for a review by a qualified professional or professionals in the same or similar specialty as the Professional under review. Manager's Medical Board shall report the results of such review to the officer or agent of the Practice and provide assistance to the Practice to implement recommendations, follow-up and fulfill reporting obligations, if any. Practice and Manager acknowledge that, in connection with such peer review activities, it may be necessary to provide Manager with Protected Health Information and Practice and Manager agree to treat such information in accordance with Section 2.17 hereof.

(b) Quality Improvement. Manager shall develop programs designed to improve the quality of care provided by the Professionals and encourage identification and adoption of best demonstrated processes. Practice and Manager acknowledge that, in connection with such quality improvement activities, it may be necessary to provide Manager with Protected Health Information and Practice and Manager agree to treat such information in accordance with Section 2.17 hereof.

2.16 Additional Services. Although the parties have endeavored to reflect the management and administrative services that Manager shall provide hereunder, they expressly recognize that there may be additional services provided by Manager, it being the intent of the parties that all management and administrative services necessary for the operations of the

Practice be provided by Manager. Additional services also may be suggested by Practice and provided by Manager upon mutual agreement of the parties.

2.17 HIPAA Compliance. Manager and Practice acknowledge that Manager will be required to access the protected health information of patients, as defined in 42 U.S.C. Section 1320d and 45 CFR Section 164.501 (collectively, "Protected Health Information"), in order for Manager to perform its duties under this Agreement, particularly under Sections 2.1, 2.2, 2.12, 2.13, 2.14, and 2.15 above. Manager and Practice each agree to comply with the applicable provisions of the Administrative Simplification section of the Health Insurance Portability and Accountability Act of 1996, as codified at 42 U.S.C. Section 1320d through d-8 ("HIPAA"), and the requirements of any regulations promulgated thereunder, including, without limitation, the federal privacy regulations as contained in 45 CFR Parts 160 and 164 (the "Federal Privacy Regulations") and the federal security standards as contained in 45 CFR Part 142 (the "Federal Security Regulations"), as well as the specific agreements and assurances set forth below. A material breach of the provisions of this Section shall constitute a material breach of this Agreement.

(a) Use and Disclosure of Protected Health Information. Manager and Practice each agree not to use or further disclose any Protected Health Information other than as permitted or required by this Agreement and the requirements of HIPAA or regulations promulgated under HIPAA, including, without limitation, the Federal Privacy Regulations and the Federal Security Regulations. Manager and Practice each will implement appropriate safeguards to prevent the use or disclosure of a patient's Protected Health Information other than as provided for by this Agreement. Manager and Practice each will promptly report to the other any use or disclosure of a patient's Protected Health Information not provided for by this Agreement or in violation of HIPAA, the Federal Privacy Regulations, or the Federal Security Regulations of which Manager or Practice becomes aware. In the event Manager or Practice, with the other's approval, contracts with any agents to whom it provides a patient's Protected Health Information, it shall include provisions in such agreements whereby it and the agent agree to the same restrictions and conditions that apply to it with respect to such patient's Protected Health Information. Manager and Practice will take necessary steps to accord patients the individual rights of record access, amendment and disclosure accounting required by HIPAA and the Federal Privacy Regulations. Manager and Practice will make its internal practices, books, and records relating to the use and disclosure of a patient's Protected Health Information available to the Secretary of Health and Human Services to the extent required for determining compliance with the Federal Privacy Regulations and the Federal Security Regulations. Notwithstanding the foregoing, no attorney-client, accountant-client, or other legal privilege shall be deemed waived by Manager or Practice by virtue of this Section. Because the Manager will need Protected Health Information for the ongoing management and operation of its business, the Manager may retain such information after the termination of this Agreement, provided that the Manager continues to extend the protections of this Agreement to the Protected Health Information and limits further disclosures to the purposes that make the return or destruction of the information infeasible or to purposes otherwise required by law.

(b) Research Data. In accordance with Section 2.14 of this Agreement, Manager shall undertake research using certain clinical data assembled by Practice. Except

where authorization for the use of Protected Health Information in research is obtained in accordance with the Federal Privacy Regulations, such clinical data shall be furnished to Manager in the form of a limited data set that meets the requirements of Section 164.514(e) of the Federal Privacy Regulations. That limited data set shall be used by Manager, and by its employees and agents, exclusively for the purposes of research, public health and health care operations. Manager also may grant access to the limited data set to other individuals or entities engaged in research activities. Manager shall not use or further disclose information contained in the limited data set other than as permitted by this Section 2.17(b) or as otherwise required by law. Manager further agrees that it will (i) use appropriate safeguards to prevent use or disclosure of the information contained in the limited data set other than as provided for in this Section 2.17(b), (ii) report to Practice any use or disclosure of such information not provided for in this Section of which it becomes aware, and (iii) ensure that any agents or subcontractors to whom Manager provides the limited data set agree to the same conditions and restrictions with respect to such information. Manager will not identify the information contained in the limited data set or use the limited data set to contact the individuals whose information is contained therein.

(c) Data Security. On or before April 21, 2005, Manager will implement, in accordance with the Federal Security Regulations, administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of the electronic Protected Health Information that Manager creates, receives, maintains or transmits on behalf of Practice. If Manager becomes aware of any security incident involving Protected Health Information furnished to Manager by Practice or that Manager otherwise maintains on the Practice's behalf, Manager will report such incident to Practice. Manager will require any agent or subcontractor who receives electronic Protected Health Information from Manager to abide by these security restrictions.

ARTICLE 3.

HOSPITAL CONTRACTS

3.1 Performance of Services. Upon approval of Manager, Practice may directly contract with hospitals and medical centers for the provision of Professional Medical Services pursuant to Section 3.2 below. In the alternative, Manager may contract directly with hospitals and medical centers to provide administrative and management services, including arranging for the provision of Professional Medical Services by Practice. Practice hereby agrees to provide Professional Medical Services solely and exclusively to hospitals and medical centers with which Manager has either contracted to arrange for such services, or has approved of the provision of such services by Practice. Practice shall perform and require its shareholders and Professionals to perform Professional Medical Services in accordance with the terms and conditions of this Section and such hospital contracts.

3.2 Negotiation of Contracts. Practice agrees not to negotiate, make, propose, or execute any contract, nor allow any other party besides Manager to arrange for the Professional Medical Services of Practice or its Professionals during the term of this Agreement; provided,

however, that upon request of Manager, Practice will execute agreements with hospitals that have been negotiated and approved by Manager. The responsibilities of Manager hereunder do not include any duty to negotiate or obtain medical staff membership or clinical privileges for Professionals. Such Professionals shall be required to (i) obtain necessary medical staff membership and clinical privileges; and (ii) to resign from medical staff membership and clinical privileges upon termination for any reason from Practice, upon termination of this Agreement, or as may be required to fulfill the contracts with hospitals.

3.3 Non-Competition. Practice agrees that neither Practice, nor its shareholders or Professionals, nor their heirs, assigns or successors in interest, shall contract with or arrange for the provision of Professional Medical Services at any hospital or medical center which has been a party to a contract with Manager or Practice for a period of eighteen (18) months following the termination of any such contract. Practice further agrees that, upon termination of this Agreement for any reason, it will not contract with or arrange for the provision of Professional Medical Services at any hospital or medical center at which Practice has provided services during the term hereof for a period of eighteen (18) months following the termination of this Agreement. The parties specifically agree that this provision shall survive the termination of this Agreement for any reason and that Practice shall cause each shareholder and Professional to execute such further documents or instruments as Manager may request to evidence this Agreement.

3.4 Confidential Information. Practice agrees that neither Practice, nor its shareholders or Professionals, shall reveal to any person, association, or company, or shall use or otherwise exploit for their own benefit or for the benefit of anyone other than Manager, any Confidential Information (as defined below) concerning the organization, business or finances of Manager so far as they have come or may come to their knowledge, except as may be required in the ordinary course of performing their duties for the medical practice of Practice or except as may be in the public domain through no fault of their own, and they shall keep secret all matters entrusted to them and shall not use or attempt to use any such Confidential Information in any manner which may injure or cause loss or may be calculated to injure or cause loss whether directly or indirectly to Manager. "Confidential Information" shall include, without limitation, any patents, patent applications, licenses, copyrights, trademarks, trade names, service marks, service names, "know-how," trade secrets, customer or patient lists, details of client or consulting contracts, pricing policies, operational methods, marketing plans or strategies, product development techniques or plans, procurement and sales activities, promotional and pricing techniques, credit and financial data concerning customers, business acquisition plans or any portion or phase of any scientific or technical information, ideas, discoveries, designs, computer programs (including source or object codes), processes, procedures, formulas or improvements of Practice, whether or not in written or tangible form, and whether or not registered, and including all memoranda, notes, plans, reports, records, documents and other evidence thereof.

Practice, its shareholders and Professionals agree to return to Manager any Confidential Information in their possession upon disassociation or termination for any reason from Practice or upon the termination of this Agreement for any reason.

The parties specifically agree that the provisions of this Section 3.4 shall survive termination of this Agreement for any reason and that Practice shall cause each shareholder and Professional to execute such further documents or instruments as Manager may request to evidence this Agreement.

3.5 Breach of Covenants. The parties hereto agree that damage to Manager would be irreparable and incalculable should Practice or its shareholders, Professionals or other employees, affiliates or agents violate the covenants contained in Section 3 of this Agreement. Without limitation of any other legal or equitable rights which Manager may possess, Practice expressly agrees that Manager or its assigns shall be entitled to injunctive relief without the necessity of first proving damages in the event of a threatened or actual breach by Practice, its shareholders, Professionals or other employees, affiliates or agents of such covenants. Said right to temporary or injunctive relief shall exist notwithstanding any dispute, controversy or allegation of breach by Practice hereunder or otherwise. Practice shall cause its shareholders, Professionals and other employees, affiliates or agents to execute appropriate documents as necessary to effectuate this provision.

ARTICLE 4.

LIMITATION ON SERVICES

Notwithstanding any other provision to the contrary contained in this Agreement, Manager shall exercise no control nor have any responsibility for the Professional Medical Services rendered by the Professionals to any patient. Manager and Practice agree that it is not the intent of this Agreement to interfere with the professional judgement of the Professionals. Manager shall not, in any manner, directly or indirectly regulate or control the Professional's independent judgment concerning the practice of medicine or the diagnosis and treatment of patients. All decisions relating to patient care and treatment shall be made by a licensed physician or other appropriate clinical provider in his or her sole and absolute discretion. Any licenses, permits or other certifications which Practice or its Professionals may need to provide Professional Medical Services shall be the sole responsibility of Practice and such Professionals. The shareholder(s) of Practice agree to perform all medical management deemed necessary or advisable by either Practice or Manager to satisfy hospital agreements, third party payor relationships, and good medical practice organization and management.

Except as provided in Section 2 above with respect to the establishment and implementation of guidelines for the selection, hiring and firing of Professionals, Practice shall retain responsibility for the hiring, termination, training or supervision of Professionals employed or otherwise retained by Practice. Any Professional employed or otherwise retained by Practice shall be retained pursuant to an agreement having terms and conditions that are satisfactory to Manager and Practice agrees to ensure that Professionals perform the obligations of their respective agreements (including employment agreements) in accordance with the terms and conditions of such agreements. No amendments, or waivers or termination of employment agreements may be made by Practice without the consent of Manager.

ARTICLE 5.

BOOKS AND RECORDS

Practice shall have the right to inspect the books and records of Manager regarding its collections, billing, accounting and other functions provided by Manager on behalf of Practice.

ARTICLE 6.

COMPENSATION AND EXPENSES

6.1 Compensation. For all services rendered by Manager in accordance with this Agreement, Practice shall pay Manager those sums described in "Exhibit A," which is attached to and made a part of this Agreement. "Exhibit A" may be amended from time to time by Manager to reflect industry standards and the range of services provided by Manager.

6.2 Expenses. Manager shall pay all costs and expenses of Practice out of the revenues of Practice.

ARTICLE 7.

TERM AND TERMINATION

7.1 The parties intend that the term of the arrangements under this Agreement shall be permanent, subject only to the rights of termination pursuant to Sections 7.2, 7.3 and 7.4 hereof.

7.2 Termination by Manager with Cause. This Agreement may be terminated by Manager upon a material breach of any provision of this Agreement by Practice which is not cured within sixty (60) days after written notice is given to Practice specifying the nature of the alleged breach.

7.3 Termination by Manager without Cause. This Agreement may be terminated by Manager without cause upon sixty (60) days written notice to Practice.

7.4 Termination by Practice with Cause. This Agreement may be terminated by Practice only in the event of gross negligence, fraud, or other illegal acts of Manager; provided, that such events must first have been proven in a court of competent jurisdiction and all appeal rights related thereto have been exhausted prior to any termination pursuant to this Section 7.4. Except as provided in this Section 7.4, under no circumstances shall Practice have the right to terminate this Agreement.

ARTICLE 8.

STATUS OF MANAGER

In the performance of the duties, responsibilities and obligations required by this Agreement, Manager shall at all times be performing as an independent contractor of Practice. No act, work, commission or omission by Manager pursuant to the terms and conditions of this Agreement shall be construed to make or render Manager an agent, servant or employee of, or joint venturer with, Practice. Nothing in this Agreement limits the right of Manager to provide any services or products or enter into any contractual arrangements with any person or entity, including, without limitation, persons or entities in similar businesses or in competition with Practice.

ARTICLE 9.

INSURANCE

Manager shall obtain and maintain, on behalf of Practice, such policies of general liability, professional liability and other appropriate insurance as are commercially available at limits of liability which are customarily maintained by similar enterprises. In the alternative, at the request of Manager, Practice shall maintain such policies with coverage and limits acceptable to Manager in its sole discretion. In no event shall Manager be liable under any circumstances if such coverage is deemed insufficient for any reason. Practice shall advise Manager in detail of any claims or possible claims against such insurance policies.

ARTICLE 10.

MISCELLANEOUS

10.1 Notices. Any notice required or permitted to be given hereunder to either party shall be deemed given if sent by hand delivery, by registered or certified mail, return receipt requested, or by overnight mail delivery for which evidence of delivery is obtained by the sender, to such party at:

Practice:	c/o Pediatrix Medical Group, Inc. 1301 Concord Terrace Sunrise, FL 33323 Attention: General Counsel
Manager:	Pediatrix Medical Group, Inc. 1301 Concord Terrace Sunrise, FL 33323 Attention: General Counsel

10.2 Limitation of Assignment. This Agreement shall not be assigned by Practice without the prior express written consent of Manager. This Agreement may be assigned by Manager unilaterally and without consent of the Practice.

10.3 Binding on Successors in Interest. The provisions of, and obligations arising under, this Agreement shall extend to, be binding upon and inure to the benefit of the successors and assigns of each party.

10.4 Severability; Changes in Law. If any part of this Agreement is determined to be invalid, illegal, inoperative, or contrary to law or professional ethics, the part shall be reformed, if possible, to conform to law and ethics; the remaining parts of this Agreement shall be fully effective and operative to the extent reasonably possible. If any restriction contained in this Agreement is held by any court to be unenforceable or unreasonable, a lesser restriction shall be enforced in its place and the remaining restrictions shall be enforced independently of each other.

10.5 Conformance with Law. Each party agrees to carry out all activities undertaken by it pursuant to this Agreement in conformance with all applicable federal, state, and local laws, rules, and regulations.

10.6 Time of the Essence. Time shall be of the essence with respect to each and every term, covenant, and condition of this Agreement.

10.7 Attorneys' Fees. If either party incurs any suit costs and reasonable attorneys' fees with respect to the enforcement of this Agreement against the other, the successful party shall be entitled to recover from the other all suit costs and reasonable attorneys' fees, including

fees on appeal, and each party shall pay those suit costs and reasonable attorneys' fees that may be incurred by the successful party in enforcing this Agreement.

10.8 Entire Agreement/Amendment. This Agreement supersedes all previous contracts between the parties relating to the subject matter hereof, including the Prior Agreement, and, together with the Joinder and any Exhibits expressly incorporated herein, constitutes the entire agreement between the parties. Oral statements or prior written materials not specifically incorporated in this Agreement shall not be of any force and effect. In entering into and executing this Agreement, the parties rely solely upon the representations and agreements contained in the Agreement and no others. Except as provided in Section 6.1, no changes in or additions to this Agreement shall be recognized unless and until made in writing and signed by an authorized officer or agent of Practice and Manager.

10.9 Governing Law. This Agreement has been executed and delivered and shall be construed and enforced in accordance with the laws of the State of Florida. Any action by any party whether at law or in equity, shall be commenced and maintained and venue shall properly be in Broward County, Florida.

10.10 Third Party Beneficiaries. This Agreement shall not be construed to create any third party beneficiaries.

10.11 Waiver of Breach. No provision of this Agreement shall be deemed waived unless evidenced by a written document signed by an authorized officer or agent of Practice and Manager. The waiver by either party of a breach or violation of any provision of this Agreement shall not operate as, or be construed to be, a waiver of any subsequent breach of the same or other provision of this Agreement.

10.12 Section and Other Headings. The section and other headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

10.13 Gender and Number. When the context of this Agreement requires, the gender of all words shall include the masculine, feminine, and neuter, and the number of all words shall include the singular and plural.

10.14 Execution. This Agreement and any amendments may be executed in multiple originals, each counterpart shall be deemed an original, but all counterparts together shall constitute one and the same instrument.

10.15 Additional Assurances. The provisions of this Agreement are self-operative and do not require further agreement by the parties; provided, however, at the request of either party the other shall execute any additional instruments and take any additional acts that Manager may deem reasonably necessary to effectuate this Agreement.

10.16 Force Majeure. Neither party shall be liable nor deemed to be in default for any delay or failure in performance under this Agreement or other interruption of service or employment deemed resulting, directly or indirectly, from acts of God, civil or military authority, acts of public enemy, war, accidents, fires, explosions, earthquakes, floods, failure of transportation, strikes or other work interruptions by either party's employees, or any similar or dissimilar cause beyond the reasonable control of either party.

10.17 Authority. Each signatory to this Agreement represents and warrants that he/she possesses all necessary capacity and authority to act for, sign, and bind the respective entity on whose behalf he/she is signing.

10.18 Acquisition Right. The shareholder(s) of Practice hereby irrevocably grant(s) Manager the fully assignable right, but not the obligation, to acquire or to designate a qualified buyer to acquire all of the stock of Practice (the "Stock") for the sum of the lesser of the amount paid by the shareholder(s) for such Stock or the book value thereof ("Acquisition Right") in each of the following instances:

(i) if a termination occurs pursuant to Section 7.2 (or if Practice attempts to terminate this Agreement for any reason), Manager shall have the right to acquire or designate a qualified buyer to acquire the Stock from the date of the notice of termination and for a period of ninety (90) days after the end of the term of this Agreement.

(ii) if the shareholder(s) of Practice receive(s) a bona fide written offer from a third party that he, she or they wish(es) to accept, Manager shall have sixty (60) days from the date of the actual receipt by Manager of a copy of such bona fide offer to acquire or designate a qualified buyer to acquire the Stock.

In order to protect the Acquisition Right, Practice and the shareholder(s) agree as follows:

(i) Practice will not merge or consolidate with another entity or sell any of its assets in other than the normal course of its business.

(ii) Practice will not issue any stock, incur any debt, pledge or grant a security interest in any asset, amend the Articles of Incorporation, By-Laws or any agreements of Practice or declare any dividends.

(iii) Practice will not enter into any material agreements with any person or entity without the prior written consent of Manager.

(iv) Practice shall cause each shareholder of the Practice to execute a Joinder to this Agreement in the form attached hereto.

In addition to the acquisition right described herein, Manager also may have certain rights to acquire the Stock pursuant to a Stock Transfer Agreement between Manager and Practice's shareholder(s).

10.19 Security. As security and collateral for (i) the obligations of Practice to Manager under this Agreement, and (ii) any loans from Manager to Practice (whether made before or after the date hereof), Practice hereby grants a first security interest to Manager in all tangible and intangible assets of Practice, whether now owned or later acquired, and to all proceeds from such assets. Additionally, the shareholder(s) of Practice pledges, as security for his, her, or their obligation to Manager and the obligations of Practice to Manager, all of the shares of Practice owned by him, her, or them and shall place such shares in the possession of Manager. Practice and the shareholder(s) of Practice agree to execute such further documents and instruments as may be deemed necessary or desirable by Manager, in Manager's sole discretion, to effect the provisions of this Section.

(THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK)

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers or agents.

"Practice"	"Manager"
	PEDIATRIX MEDICAL GROUP, INC.
By: _____	By: _____
Name: _____	Name:
Title: _____	Title:

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT ("Agreement") is made and entered into effective as of the 1st day of April, 2003, by and between PEDIATRIX MEDICAL GROUP, INC., a Florida corporation (hereinafter called the "Company"), and ROGER J. MEDEL, M.D., M.B.A. (hereinafter called the "Executive").

PRELIMINARY STATEMENTS

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

B. The Executive has had several years of experience in the Business, is currently Chairman of the Company's Board of Directors, and previously held the positions of President and Chief Executive Officer of the Company.

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

D. The Company and Executive previously entered into an Employment Agreement dated January 1, 2001 which will be canceled in its entirety upon the effective date of this Agreement.

AGREEMENT

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

1. EMPLOYMENT.

1.1. EMPLOYMENT AND TERM. The Company hereby agrees to employ the Executive and the Executive hereby agrees to serve the Company, on the terms and conditions set forth herein, for a three-year term ("Initial Term") commencing on April 1, 2003 and expiring on March 31, 2006 (the "Expiration Date") unless sooner terminated as hereinafter set forth. The Initial Term of this Agreement, and the employment of the Executive hereunder, shall be automatically renewed for one (1) year periods thereafter until terminated in accordance hereunder. (The Initial Term and any automatic renewals shall be hereinafter referred to as the "Employment Period").

1.2. DUTIES OF THE EXECUTIVE. During the Employment Period, the Executive shall serve as Chief Executive Officer of the Company and shall have powers and authority superior to any other officer or employee of the Company or of any subsidiary of the Company. The Executive shall be required to report solely to, and shall be subject solely to the supervision and direction of, the Board of Directors of the Company (the "Board") at duly called meetings thereof. During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote

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

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

2. BASE COMPENSATION AND BONUS.

2.1. BASE SALARY. Commencing on the date hereof, the Executive shall receive a base salary at the annual rate of not less than Six Hundred Thousand Dollars ($600,000) (the "Base Salary") during the term of this Agreement, with such Base Salary payable in installments consistent with the Company's normal payroll schedule, subject to required applicable withholding for taxes. The Base Salary shall be reviewed, at least annually, for merit increases and may, by action and in the discretion of the Compensation Committee of the Board, be increased at any time or from time to time. At the sole discretion of the Compensation Committee, Company may adjust Executive's Base Salary to reflect annual changes in the cost of living. The Base Salary, if so increased, shall not thereafter be decreased for any reason.

2.2. PERFORMANCE BONUS. For each year calendar year during the Employment Period, the Executive shall be eligible to receive a performance bonus (the "Performance Bonus") in an amount up to one hundred percent (100%) of the Base Salary, with the actual amount, if any, to be determined on the basis of individual performance goals and Company earnings thresholds as established annually by the Compensation Committee. Company shall pay the Performance Bonus, if any, to Executive within ninety (90) days after the end of each applicable calendar year.

3. OTHER BENEFITS.

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

3.2. OTHER BENEFITS. During the Employment Period, the Company shall continue in force all existing comprehensive major medical and hospitalization insurance coverages, either group or individual for the Executive and his dependents; shall continue in force all existing life insurance for the Executive; and shall continue in force all existing disability insurance for the Executive (collectively, the "Policies"), which Policies the Company shall keep in effect throughout the term of this Agreement. The Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under all welfare benefit plans, practices, policies and programs provided by the Company (including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to senior executive officers or other peer executives of the Company. The Executive shall also be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs and such other perquisites as applicable generally to senior executive officers or other peer executives of the Company. The Executive shall be reimbursed for up to $1,500 per year for professional dues and subscriptions in accordance with written policies and procedures of the Company. Nothing paid to the Executive under any plan or arrangement presently in effect or made available in the future shall be deemed to be in lieu of the Base Salary payable to the Executive pursuant to this agreement.

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

3.4. VACATION. The Executive shall be entitled to such number of paid vacation and leave days in each calendar year as determined by the Board from time to time for its senior executive officers, but in no event less than six (6) weeks of paid vacation during each calendar year. Unused vacation days may be carried forward from year to year at the option of the Executive; provided that the Executive notifies the Company of his intention to accrue any unused vacation or leave time.

3.5. STOCK OPTIONS. The Executive shall be entitled to participate in the Company's Stock Option Plan or any other similar plan adopted by the Company that provides for the issuance of stock options to its employees. In connection with the execution of this Agreement, Executive has been granted 200,000 options at market price with a three year vesting period. The terms of the Stock Option Grant and the Company Stock Option Plan shall control the Employee's rights and interest in and to said options.

3.6 PROFESSIONAL MEETINGS AND SEMINARS AND EXPENSES. The Executive shall be entitled to educational leave of ten (10) days annually without diminution of compensation. Company shall reimburse expenses incurred by the Executive while attending educational meetings and for publications, association membership, and other materials related to medical management, up the Three Thousand Dollars ($3,000) annually. The Executive shall also be reimbursed for up to Two Thousand Dollars ($2,000) per year for professional meetings and seminars in accordance with written policies and procedures of the Company.

3.7 PERSONAL USE OF CORPORATE AIRCRAFT. Corporate aircraft may be used by Executive for personal matters provided, however, the aircraft is not being used, nor during the period Executive has requested use for personal matters will it be needed for use, by the Company for business-related matters, as the Company shall have priority over Executive's personal use. The Compensation Committee shall determine annually such terms and other conditions applicable to any such personal use of the aircraft by Executive.

4. TERMINATION.

4.1. TERMINATION FOR CAUSE.

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

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

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

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

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

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

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

4.2. DISABILITY. The Company may terminate this Agreement upon the Disability (as defined below) of the Employee in strict accordance with the following procedure: Upon a good faith determination by not less than a majority of the Board of the entire membership of the Board (excluding the Executive) that the Executive has suffered a Disability, the Company shall give the Executive written notice of its intention to terminate this Agreement due to such Disability. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for six consecutive months or twelve

months whether or not consecutive as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative (such agreement as to acceptability not to be withheld unreasonably). The Termination Date for a termination of this Agreement pursuant to this Section 4.2 shall be the date specified by the Board in the resolution finding that the Executive has suffered a Disability, which date may not be any earlier than 30 days after the date of Board's finding. Upon any termination of this Agreement pursuant to this Section 4.2, the Executive shall be entitled to the compensation specified in Section 5.2 hereof.

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

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

4.5. TERMINATION UPON A CHANGE IN CONTROL OF THE COMPANY. In the event a Change in Control (as hereafter defined) in the Company shall occur during the Employment Period, and the Executive elects to terminate his employment with Company because Executive is (i) assigned any position, duties or responsibilities that are significantly diminished or changed when compared with the position, duties, responsibilities or compensation of the Executive prior to such Change in Control, or (ii) forced to relocate to another location more than 25 miles from the Executive's location prior to the Change in Control, or (iii) Executive is terminated by Company, then the Executive shall be entitled to the compensation specified in Section 5.5 hereof and any other compensation and benefits provided in this Agreement in connection with a Change in Control of the Company. For purposes of this Section 4.5, "Change in Control of the Company" shall mean (i) the acquisition by a person or an entity or a group of persons and entities, directly or indirectly, of more than fifty (50%) percent of the Company's common stock in a single transaction or a series of transactions (hereinafter referred to as a "50% Change in Control"); (ii) a merger or other form of corporate reorganization resulting in an actual or DE FACTO 50% Change in Control; or (iii) the failure of Applicable Directors (defined below) to constitute a majority of the Board during any two (2) consecutive year period after the date of this Agreement (the "Two-Year Period"). "Applicable Directors" shall mean those individuals who are members of the Board at the inception of a Two-Year Period and any new director whose election to the Board or nomination for election to the Board was approved (prior to any vote thereon by the shareholders) by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the Two-Year Period at issue or whose election or nomination for election during such Two-Year Period was previously approved as provided in this sentence. If the Executive elects to terminate his employment pursuant to the terms of this Section 4.5, the Executive shall give the Company a written

termination notice. The Termination Date shall be the date specified in such notice, which date may not be earlier than 30 days nor later than 90 days from the Company's receipt of such notice.

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

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

5. COMPENSATION AND BENEFITS UPON TERMINATION.

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

5.2. DISABILITY. During any period that the Executive is unable to perform his duties under this Agreement as a result of incapacity due to physical or mental illness, the Executive shall continue to receive his full Base Salary until the Termination Date specified in Section 4.2, plus the prorated amounts specified in Section 5.10. After such termination, the Executive shall receive in equal monthly installments 100% of his Base Salary at the rate in effect at the Termination Date for one year and thereafter for two additional years at an annual rate equal to 50% of the Base Salary which would have been in effect under this Agreement, reduced, in each case, for any disability payments otherwise payable by or pursuant to plans provided by the Company.

5.3. DEATH. Upon the Executive's death, the Company shall pay to the person designated by the Executive in a notice filed with the Company or, if no person is designated, to his estate (i) any unpaid amounts of his Base Salary and accrued vacation to the date of the Executive's death, plus the

prorated amounts specified in Section 5.10; and (ii) any payments the Executive's spouse, beneficiaries or estate may be entitled to receive pursuant to any pension or employee benefit plan or life insurance policy or similar plan or policy then maintained by the Company. Upon full payment of all amounts required to be paid under this Section 5.3, the Company shall have no further obligation under this Agreement.

5.4 TERMINATION BY THE COMPANY WITHOUT CAUSE. If the Company terminates the Executive's employment without cause in accordance with and subject to Section 4.4, then (i) the Company shall pay the Executive his full Base Salary through the Termination Date specified in Section 4.4 at the rate in effect at such Termination Date, plus the prorated amounts specified in Section 5.10; and (ii) in lieu of further salary payments to the Executive for periods subsequent to the Termination Date and in consideration of the rights of the Company under Section 8, the Company shall pay as severance pay to the Executive on the fifth day following the Termination Date, a lump sum amount equal to 200% of the sum of (a) the annual Base Salary at the highest rate in effect during the 12 months immediately preceding the Termination; plus (b) the average of the three annual Performance Bonus payments paid with respect to the preceding three years under this Agreement (or the number of years the Executive has been employed with the Company under this Agreement or otherwise if less than three years).

5.5. TERMINATION UPON A CHANGE IN CONTROL. If the Executive or Company terminates this Agreement upon a Change in Control of the Company pursuant to Section 4.5, then (i) the Company shall pay the Executive his full Base Salary through the Termination Date specified in Section 4.5, at the rate in effect at such Termination Date, plus the prorated amounts specified in Section 5.10; (ii) the Executive shall receive all other compensation and benefits provided in this Agreement in connection with a termination of employment due to a Change in Control of the Company; and (iii) in lieu of any further salary payments to the Executive for periods subsequent to such Termination Date (but without affecting compensation or benefits to the Executive in accordance with the preceding clauses 5.5(i) and 5.5(ii) and in consideration of the rights of the Company under Section 8), the Company shall pay as severance pay to the Executive on the fifth day following the Termination Date, a lump sum amount equal to 200% of the Executive's Base Salary herein plus the amount of any Performance Bonus for the preceding twelve months prior to the Termination Date, reduced, but not below zero, by the amount of compensation or benefits from the Company to the Executive which would cause the severance pay payable pursuant to this Section 5.5 to exceed the excess parachute payment limitation imposed under Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), payable to the Executive in 12 equal monthly installments. In addition, in the event the Termination Date as a result of a Change in Control occurs within the twelve-month period of a Change in Control, any stock options held by the Executive on the Termination Date shall fully vest and become immediately exercisable.

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

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

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

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

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

6. SUCCESSORS; BINDING AGREEMENT.

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

6.2. BENEFIT. This Agreement and all rights of the Executive under this Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amounts would still be payable to him under this Agreement, including all payments payable under Section 5, if he had continued to live, all such amounts shall be paid in accordance with the terms of this Agreement to the

Executive's devisee, legatee, or other designee or, if there is no such designee, the Executive's estate.

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

8. NONCOMPETITION; UNAUTHORIZED DISCLOSURE; INJUNCTIVE RELIEF.

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

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

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

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

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

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

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

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

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

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

If to the Company:
_____, Secretary
Pediatrix Medical Group, Inc.
1301 Concord Terrace
Ft. Lauderdale, Florida 33323

If to the Executive:
Roger J. Medel, M.D., M.B.A.
c/o Pediatrix Medical Group, Inc.
1301 Concord Terrace
Sunrise, Florida 33323

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

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

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

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

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

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

17. BOARD APPROVAL; AGREEMENT. The Company warrants and represents to the Executive that this Agreement has been approved and authorized by the Board. No provisions of this Agreement may be modified, waived or discharged unless such waiver modification or discharge is agreed to in a writing signed by the Executive and the officer of the Company which is specifically designated by the Board.

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

PEDIATRIX MEDICAL GROUP, INC.	THE EXECUTIVE:
/s/ Cesar L. Alvarez	/s/ Roger J. Medel
- ----------	----------
Cesar L. Alvarez	Roger J. Medel, M.D., M.B.A.
Chairman, Compensation Committee	

EXHIBIT 10.18

PEDIATRIX MEDICAL GROUP

AMENDED AND RESTATED CREDIT AGREEMENT

Originally Dated as of June 27, 1996
As Amended and Restated as of November 1, 2000
As Amended and Restated as of August 14, 2001

Amendment No. 7

Dated as of December 15, 2003

FLEET NATIONAL BANK, AGENT AND LENDER
U.S. BANK NATIONAL ASSOCIATION, SYNDICATION AGENT AND LENDER
HSBC BANK USA, DOCUMENTATION AGENT AND LENDER

AMENDMENT NO. 7

TO AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of December 15, 2003

This agreement, dated as of December 15, 2003 (this "Amendment"), is among Pediatrix Medical Group, Inc., a Florida corporation, the Material Related Entities of Pediatrix Medical Group, Inc. from time to time party hereto, and the Lenders from time to time party hereto, including Fleet National Bank, both in its capacity as a Lender and in its capacity as an Agent, U.S. Bank National Association, formerly known as Firstar Bank N.A., both in its capacity as a Lender and in its capacity as Syndication Agent, and HSBC Bank USA, both in its capacity as a Lender and in its capacity as Documentation Agent. The parties hereto agree as follows:

1. Credit Agreement; Definitions. This Amendment amends the Credit Agreement originally dated as of June 27, 1996, as amended and restated as of November 1, 2000 and as further amended and restated as of August 14, 2001 among the parties hereto (as in effect prior to giving effect to this Amendment, the "Credit Agreement"). Terms used in this Amendment but not defined herein are used as defined in the Credit Agreement.

2. Amendment of Credit Agreement. Effective upon the date hereof, the Credit Agreement is amended as follows:

2.1. Section 6.10. Section 6.10 of the Credit Agreement is hereby amended to read in its entirety as follows:

"6.10. Distributions. None of the Borrowers shall make any Distribution except the following: (i) Distributions in respect of the redemption of capital stock of the Company from employees of any Borrower; provided, however, that the amount of all such Distributions shall not exceed $500,000 in the aggregate in any fiscal year; (ii) other Distributions in respect of the redemption of capital stock of the Company; provided, however, that the amount of all such Distributions shall not exceed $200,000,000 in the aggregate during the lifetime of this agreement; (iii) Distributions to the Company by its Subsidiaries; (iv) regularly scheduled payments of interest to the holders of the Subordinated Notes in accordance with the terms of such Subordinated Notes; and (v) regularly scheduled payments of interest to the holders of Approved Subordinated Debt or Approved Contingent Debt in accordance with the terms of such Approved Subordinated Debt or Approved Contingent Debt."

3. Representation and Warranty. In order to induce the Agent and the Lenders to enter into this Amendment, each of the Obligors jointly and severally represents and warrants that, after giving effect to this Amendment, no Default exists.

4. Payment of Agent's Legal Expenses. Upon or prior to the effectiveness of this Amendment, each of the Borrowers jointly and severally agrees to pay the reasonable legal fees and expenses of the Agent with respect to this Amendment and the transactions contemplated hereby.

5. Miscellaneous. The Credit Agreement as amended by this Amendment (the "Amended Credit Agreement") and all of the Credit Documents are each confirmed as being in full force and effect. This Amendment, the Amended Credit Agreement and the other Credit Documents referred to herein or therein constitute the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior and current understandings and agreements, whether written or oral. Each of this Amendment and the Amended Credit Agreement is a Credit Document and may be executed in any number of counterparts, which together shall constitute one instrument, and shall bind and inure to the benefit of the parties and their respective successors and assigns, including as such successors and assigns all holders of any Credit Obligation. This Amendment shall be governed by and construed in accordance with the laws (other than the conflict of law rules) of The Commonwealth of Massachusetts.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, each of the undersigned has duly executed this Amendment (or caused this Amendment to be executed on its behalf by its officer or representative thereunto duly authorized) under seal as of the date first written above.

PEDIATRIX MEDICAL GROUP, INC. (Florida)

By: /s/ Karl B. Wagner

Karl B. Wagner, Chief Financial Officer

FOOTHILL MEDICAL GROUP, INC.
MAGELLA MEDICAL ASSOCIATES MIDWEST, P.C.
MAGELLA MEDICAL GROUP, INC. (d/b/a MAGELLA MEDICAL GROUP, A MEDICAL CORPORATION)
MAGELLA NEVADA, LLC
MICHAEL POKROY, M.D. PROF. CORP. d/b/a OBSTETRIX MEDICAL GROUP OF NEVADA, LTD.
NEONATAL AND PEDIATRIC INTENSIVE CARE MEDICAL GROUP, INC.
OBSTETRIX MEDICAL GROUP OF CALIFORNIA, A PROFESSIONAL CORPORATION
OBSTETRIX MEDICAL GROUP OF COLORADO, P.C.
OBSTETRIX MEDICAL GROUP OF KANSAS AND MISSOURI, P.A.
PEDIATRIX MEDICAL GROUP OF ARKANSAS, P.A.
PEDIATRIX MEDICAL GROUP OF CALIFORNIA, A PROFESSIONAL CORPORATION
PEDIATRIX MEDICAL GROUP OF COLORADO, P.C.
PEDIATRIX MEDICAL GROUP OF ILLINOIS, P.C.
PEDIATRIX MEDICAL GROUP OF KANSAS, P.A.
PEDIATRIX MEDICAL GROUP OF KENTUCKY, PSC
PEDIATRIX MEDICAL GROUP OF MICHIGAN, P.C.
PEDIATRIX MEDICAL GROUP OF MISSOURI, P.C.
PEDIATRIX MEDICAL GROUP OF NORTH CAROLINA, P.C.
PEDIATRIX MEDICAL GROUP OF OHIO CORP.
PEDIATRIX MEDICAL GROUP OF OKLAHOMA, P.C.
PEDIATRIX MEDICAL GROUP OF PENNSYLVANIA, P.C.
PEDIATRIX MEDICAL GROUP OF PUERTO RICO, P.S.C.
PEDIATRIX MEDICAL GROUP NEONATOLOGY AND PEDIATRIC INTENSIVE CARE SPECIALISTS OF NEW YORK, P.C.
PEDIATRIX MEDICAL GROUP

By: /s/ Karl B. Wagner

Karl B. Wagner, Attorney-in-Fact

PEDIATRIX MEDICAL GROUP, S.P.
PERINATAL PEDIATRICS, P.A.
POKROY MEDICAL GROUP OF NEVADA, LTD.
d/b/a PEDIATRIX MEDICAL GROUP OF NEVADA

By: /s/ Karl B. Wagner

Karl B. Wagner, Attorney-in-Fact

ALASKA NEONATOLOGY ASSOCIATES, INC.
ASSOCIATES IN NEONATOLOGY, INC.
AUGUSTA NEONATOLOGY ASSOCIATES, P.C.
BNA ACQUISITION COMPANY, INC.
CENTRAL OKLAHOMA NEONATOLOGY
ASSOCIATES, INC.
CNA ACQUISITION CORP.
DES MOINES PERINATAL CENTER, INC.
FLORIDA REGIONAL NEONATAL ASSOCIATES, P.A.
FORT WORTH NEONATAL ASSOCIATES BILLING, INC.
GNPA ACQUISITION COMPANY, INC.
KNA, INC.
MAGELLA HEALTHCARE CORPORATION
MAGELLA HEALTHCARE GROUP, L.P.
MAGELLA MEDICAL ASSOCIATES BILLING, INC.
MAGELLA MEDICAL ASSOCIATES OF GEORGIA, P.C.
MAGELLA TEXAS, LLC
MERCY NEONATOLOGY, INC.
MNPC ACQUISITION COMPANY, INC.
MOUNTAIN STATES NEONATOLOGY, INC.
NACF ACQUISITION COMPANY, INC.
NEONATAL SPECIALISTS, LTD.
NEONATOLOGY ASSOCIATES BILLING, INC.
NEONATOLOGY-CARDIOLOGY ASSOCIATES, P.A.
NSPA ACQUISITION COMPANY, INC.
OBSTETRIX MEDICAL GROUP OF ARIZONA, P.C.
OBSTETRIX MEDICAL GROUP OF DELAWARE, INC.
OBSTETRIX MEDICAL GROUP OF PENNSYLVANIA, P.C.
OBSTETRIX MEDICAL GROUP OF PHOENIX, P.C.
OBSTETRIX MEDICAL GROUP OF TEXAS BILLING, INC.
OBSTETRIX MEDICAL GROUP OF
WASHINGTON, INC., P.S.

By: /s/ Karl B. Wagner
Karl B. Wagner, Treasurer

OBSTETRIX MEDICAL GROUP, INC.
OZARK NEONATAL ASSOCIATES, INC.
PALM BEACH NEO ACQUISITIONS, INC.
PASCV ACQUISITION COMPANY, INC.
PEDIATRIX MEDICAL GROUP OF DELAWARE, INC.
PEDIATRIX MEDICAL GROUP OF FLORIDA, INC.
PEDIATRIX MEDICAL GROUP OF GEORGIA, P.C.
PEDIATRIX MEDICAL GROUP OF INDIANA, P.C.
PEDIATRIX MEDICAL GROUP OF NEW MEXICO, P.C.
PEDIATRIX MEDICAL GROUP OF SOUTH CAROLINA, P.A.
PEDIATRIX MEDICAL GROUP OF TENNESSEE, P.C.
PEDIATRIX MEDICAL GROUP OF TEXAS BILLING, INC.
PEDIATRIX MEDICAL GROUP OF WASHINGTON, INC., P.S.
PEDIATRIX MEDICAL GROUP, INC. (Utah)
PEDIATRIX MEDICAL GROUP, P.A.
PEDIATRIX MEDICAL GROUP, P.C. (Virginia)
PEDIATRIX MEDICAL GROUP, P.C. (West Virginia)
PEDIATRIX OF MARYLAND, P.A.
PEDIATRIX SCREENING, INC.
PMG ACQUISITION CORP.
PNA ACQUISITION CO., INC.
RPNA ACQUISITION COMPANY, INC.
SCPMC ACQUISITION CO.
SNCA ACQUISITION COMPANY, INC.
ST. JOSEPH NEONATOLOGY CONSULTANTS, INC.
TEXAS MATERNAL FETAL MEDICINE BILLING, INC.

By: /s/ Karl B. Wagner

    Karl B. Wagner, Treasurer

PEDIATRIX FLORIDA, LLC
PEDIATRIX MEDICAL GROUP (INTERNATIONAL), INC.
PEDIATRIX MEDICAL MANAGEMENT, L.P.
PEDIATRIX MEDICAL MANAGEMENT GROUP, INC.
PEDIATRIX MEDICAL SERVICES, INC.
PEDIATRIX TEXAS I, LLC
PMGSC, P.A.

By: /s/ Karl B. Wagner

    Karl B. Wagner, Manager

FLEET NATIONAL BANK

By: /s/ Virginia C. Stolzenthaler
Virginia C. Stolzenthaler, Managing Director

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Walker S. Chopin

Walker S. Choppin, Senior Vice President

HSBC BANK USA

By: /s/ Gregory G. Roll

    Gregory G. Roll, First Vice President

UBS AG, STAMFORD BRANCH

By: /s/ Wilfred V. Saint

Wilfred V. Saint, Associate Director
Banking Products Services, US

By: /s/ Anthony N. Joseph

Anthony N. Joseph, Associate Director
Banking Products Services, US

THE INTERNATIONAL BANK OF MIAMI, N.A.

By: /s/ Eduardo Hornero

Eduardo Hornero, Vice President

By: /s/ Jorge Maklouf

Jorge Maklouf, Senior Vice President

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PEDIATRIX MEDICAL GROUP, INC.
SUBSIDIARIES

INCORPORATION NAME	D/B/A	STATE OF INCORPORATION
Pediatrix Medical Group of Florida, Inc.	None	Florida
Florida Regional Neonatal Associates, P.A.	None	Florida
PMG Acquisition Corp.	None	Florida
PMG Cardiology, Inc.	None	Florida
Obstetrix Medical Group, Inc.	None	Florida
Obstetrix Medical Group of Delaware, Inc.	None	Delaware
Pediatrix Medical Group of Delaware, Inc.	None	Delaware
Pediatrix Medical Group (International), Inc.	None	Delaware
Pediatrix Medical Services, Inc.	Pediatrix Medical Group of Texas; ObsteTexasMedical Group of Texas; Texas Perinatal Group; Magella Medical Associates; Texas Newborn Services; Perinatal Associates of Texas; Obstetrix Medical Group of Plano; Obstetrix Medical Group of Dallas; Baylor Prenatal Diagnosis Center; Baylor Prenatal Diagnosis Center at Garland;	
Neonatology Associates Billing, Inc.	None	Texas
Obstetrix Medical Group of Texas Billing, Inc.	Obstetrix Medical Group of Texas	Texas
Texas Maternal Fetal Medicine Billing, Inc.	None	Texas
Pediatrix Medical Group of Texas Billing, Inc.	Pediatrix Medical Group of Texas	Texas
St. Joseph Neonatology Consultants, Inc.	None	Texas
Fort Worth Neonatal Associates Billing, Inc.	None	Texas
Texas Newborn Services, Inc.	Texas Newborn Services	Texas
Magella Medical Associates Billing, Inc.	Magella Medical Associates Pediatrix Developmental Services	Texas
Pediatrix Texas I LLC	None	Texas
Pediatrix Florida LLC	None	Florida
Magella Healthcare Corporation	None	Delaware
Pediatrix Charitable Fund, Inc.	None	Florida
Palm Beach Neo Acquisitions, Inc.	None	Florida
Pediatrix Screening, Inc.	None	Pennsylvania

EXHIBIT 23.1

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 33-97672, 333-07057, 333-07059, 333-07061, 333-37937, 333-77779, 333-85366, 333-101222 and 333-101225) and on Form S-4 (File No. 333-57164), as amended, of Pediatrix Medical Group, Inc. of our report dated February 16, 2004 relating to the consolidated financial statements and financial statement schedule of Pediatrix Medical Group, Inc., which appears in this Form 10-K.

PricewaterhouseCoopers LLP

Fort Lauderdale, Florida
March 12, 2004

EXHIBIT 31.1

CERTIFICATIONS

I, Roger J. Medel, M.D., certify that:

1. I have reviewed this annual report on Form 10-K of Pediatrix Medical Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2004

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

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

EXHIBIT 31.2

CERTIFICATIONS

I, Karl B. Wagner, certify that:

1. I have reviewed this annual report on Form 10-K of Pediatrix Medical Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2004

By: /s/ Karl B. Wagner

Karl B. Wagner
Chief Financial Officer

EXHIBIT 32

CERTIFICATION PURSUANT TO 18 U.S.C SECTION 1350
(ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Annual Report of Pediatrix Medical Group, Inc. on Form 10-K for the year ended December 31, 2003 (the "Report"), each of the undersigned hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that (i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Pediatrix Medical Group, Inc.

A signed original of this written statement required by Section 906 has been provided to Pediatrix Medical Group, Inc. and will be retained by Pediatrix Medical Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

March 12, 2004

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

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

By: /s/ Karl B. Wagner

Karl B. Wagner
Chief Financial Officer