

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1996

OR

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

Commission File Number 0-26762

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

FLORIDA

65-0271219

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

1455 NORTHPARK DRIVE  
FT. LAUDERDALE, FLORIDA 33326  
53901-0449  
(Address of principal executive offices)  
(Zip Code)

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

NOT APPLICABLE

(Former name, former address and fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or such shorter period that the registrant  
was required to file such reports), and (2) has been subject to such filing  
requirements for the past 90 days. Yes X No  
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At May 1, 1996, the Registrant had 13,070,242 shares of \$0.01 par value common  
stock outstanding.

## PEDIATRIX MEDICAL GROUP, INC.

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

	MARCH 31, 1996 (UNAUDITED)	DECEMBER 31, 1995
	-----	-----
	(IN THOUSANDS)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents.....	\$ 7,084	\$18,499
Investments in marketable securities.....	26,552	27,718
Accounts receivable, net.....	15,484	12,096
Prepaid expenses.....	692	628
Other current assets.....	596	497
Income taxes receivable.....	383	330
	-----	-----
Total current assets.....	50,791	59,768
Property and equipment, net.....	5,242	4,549
Other assets.....	21,338	5,564
	-----	-----
Total assets.....	\$77,371	\$69,881
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses.....	\$ 7,539	\$ 4,347
Current portion of notes payable.....	64	64
Deferred income taxes.....	3,471	1,909
	-----	-----
Total current liabilities.....	11,074	6,320
Note payable.....	735	751
	-----	-----
Total liabilities.....	11,809	7,071
	-----	-----
Contingencies.....		
Stockholders' equity:		
Common stock.....	131	131
Additional paid-in capital.....	55,809	55,620
Retained earnings.....	9,657	7,045
Unrealized gain (loss) on investments.....	(35)	14
	-----	-----
Total stockholders' equity.....	65,562	62,810
	-----	-----
Total liabilities and stockholders' equity.	\$77,371	\$69,881
	=====	=====

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

PEDIATRIX MEDICAL GROUP, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	1996	1995
	-----	
	(IN THOUSANDS, EXCEPT FOR PER SHARE DATA)	
Net patient service revenue.....	\$16,127	\$ 8,886
	-----	
Operating expenses:		
Salaries and benefits.....	10,796	6,270
Supplies and other operating expenses.....	1,213	607
Depreciation and amortization.....	233	74
	-----	
Total operating expenses.....	12,242	6,951
	-----	
Income from operations.....	3,885	1,935
Investment income.....	499	107
Interest expense.....	(35)	(28)
	-----	
Income before income taxes.....	4,349	2,014
Income tax provision.....	1,737	805
	-----	
Net income.....	\$ 2,612	\$ 1,209
	=====	=====
Per share data (1995 pro forma):		
Net income per common and common equivalent share:		
Primary.....	.19	.12
	=====	=====
Fully diluted.....	.19	.10
	=====	=====
Weighted average shares used in computing net income per common and common equivalent share:		
Primary.....	13,697	7,043
	=====	=====
Fully diluted.....	13,726	11,614
	=====	=====

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

PEDIATRIX MEDICAL GROUP, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW  
 (UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	1996	1995
	(IN THOUSANDS)	
Cash flows provided (used) by operating activities:		
Net income.....	\$ 2,612	\$1,209
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	233	74
Deferred income taxes.....	1,562	(121)
Changes in assets and liabilities:		
Accounts receivable.....	(3,388)	607
Prepaid expenses and other current assets.....	(162)	194
Income taxes receivable.....	108	--
Other assets.....	(1,882)	(103)
Accounts payable and accrued expenses.....	752	412
Net cash provided (used) by operating activities...	(165)	2,272
Cash flows provided (used) by investing activities:		
Physician group acquisition payments.....	(11,584)	--
Purchase of investments.....	(6,621)	--
Proceeds from sale of investments.....	7,738	--
Purchase of property and equipment.....	(794)	(161)
Net cash used by investing activities.....	(11,261)	(161)
Cash flows provided (used) by financing activities:		
Payments on notes payable.....	(16)	(16)
Proceeds from issuance of common stock.....	72	--
Payments made to retire common stock.....	(45)	(13)
Net cash provided (used) by financing activities...	11	(29)
Net increase (decrease) in cash and cash equivalents.....	(11,415)	2,082
Cash and cash equivalents at beginning of period.....	18,499	7,384
Cash and cash equivalents at end of period.....	\$ 7,084	\$9,466

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

## PEDIATRIX MEDICAL GROUP, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1996

(UNAUDITED)

## 1. BASIS OF PRESENTATION:

The accompanying unaudited condensed consolidated financial statements of Pediatrix Medical Group, Inc. (the "Company" or "Pediatrix") presented herein do not include all disclosures required by generally accepted accounting principles for complete financial statements. In the opinion of management, these financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of interim periods. The results of operations for the three months ended March 31, 1996 are not necessarily indicative of the results of operations to be expected for the year ending December 31, 1996. The interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 26, 1996.

## 2. BUSINESS ACQUISITIONS:

During the first quarter of 1996 the Company completed acquisitions of three neonatology and pediatric physician group practices.

- On January 16, 1996, Pediatrix acquired the stock of Neonatal Specialists, Ltd., an Arizona professional corporation ("NSL"), in exchange for approximately \$6.3 million in cash.
- On January 29, 1996, Pediatrix acquired certain assets of Pediatric and Newborn Consultants, P.C., a Colorado professional corporation ("PNC"), in exchange for approximately \$3.7 million in cash.
- On January 29, 1996, Pediatrix completed the acquisition of the stock of Colorado Neonatal Associates, P.C., a Colorado professional corporation ("CNA"), in exchange for approximately \$1.6 million in cash.

The prior shareholders of PNC and CNA are also eligible to receive up to an aggregate of \$2 million in April 1997 if certain targets are achieved at the hospitals served by the Company during the period from February 1, 1996 to January 31, 1997.

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

PEDIATRIX MEDICAL GROUP, INC.  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 (UNAUDITED)

2. BUSINESS ACQUISITIONS: (CONTINUED)

The following unaudited pro forma information combines the consolidated results of operations of the Company and NSL, PNC and CNA as if the acquisitions had occurred on January 1, 1995:

	THREE MONTHS ENDED MARCH 31,	
	1996	1995
	-----	
	(In thousands, except per share data)	
	-----	
Net patient service revenue.....	\$16,819	\$10,807
Net income.....	2,680	1,290
Fully diluted net income per share.....	.20	.11

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.

3. ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

	MARCH 31, 1996	DECEMBER 31, 1995
	-----	
	(in thousands)	
	-----	
Accounts payable.....	\$ 1,524	\$ 786
Accrued salaries and bonuses.....	956	779
Accrued payroll taxes and benefits.....	450	726
Accrued professional liability coverage.	1,593	1,268
Other accrued expenses.....	3,016	788
	-----	-----
	\$7,539	\$ 4,347
	=====	=====

4. NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE:

As a result of the conversion of preferred stock, which was not determined to be a common stock equivalent, into common stock in connection with the initial public offering, the Company has presented pro forma net income per common and common equivalent share for the three months ending March 31, 1995.

Pro forma net income per common and common equivalent share is computed based upon the weighted average number of shares of common stock and common stock equivalents, including the number of shares of common stock issuable upon conversion of preferred stock, outstanding during the period. Pursuant to the requirements of the Securities and Exchange Commission (SEC), common stock issued by the Company during the 12 months immediately preceding the initial filing

4. NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE: (CONTINUED)

Of the registration statement with the SEC, plus common stock equivalents relating to the grant of common stock options during the same period, have been included in the calculation of pro forma weighted average number of common stock and common stock equivalents outstanding for the three months ending March 31, 1995, using the treasury stock method and the initial public offering price of \$20 per share.

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

	THREE MONTHS ENDED MARCH 31,	
	1996	1995
	-----	-----
	(in thousands, except per share data)	
Income applicable to common stock:		
Net income.....	\$ 2,612	\$ 1,209
Less: preferred stock dividends.....	--	(354)
	-----	-----
Income applicable to common stock.....	2,612	855
	-----	-----
Net income per share:		
Primary.....	.19	.12
	-----	-----
Fully diluted.....	.19	.10
	-----	-----
Weighted average number of common and common equivalent shares outstanding:		
Primary.....	13,697	7,043
	-----	-----
Fully diluted.....	13,726	11,614
	-----	-----

Primary income per common and common equivalent share is computed by dividing net income available to common shareholders by the weighted average number of common stock and common stock equivalents outstanding during the period. The voting, redeemable, cumulative, convertible preferred stock issued in October 1992 and converted into common stock in September 1995 was determined not to be a common stock equivalent. In computing primary income per common share for the three months ended March 31, 1995, the preferred stock dividend reduces net income available to common shareholders. Fully diluted income per common share is computed by dividing net income by the weighted average number of common stock and common stock equivalents outstanding during the period and, for the three months ended March 31, 1995, includes 4,571,063 shares of common stock assumed to be issued upon the conversion of all shares of the preferred stock.

5. SUBSEQUENT EVENT:

On May 1, 1996, the Company completed the acquisition of all of the outstanding common stock of Rocky Mountain Neonatology, P.C. for \$7.2 million in cash. The acquisition will be accounted for using the purchase method of accounting.



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

### RESULTS OF OPERATIONS

The Company reported net patient service revenue of \$16.1 million for the three months ended March 31, 1996, as compared with \$8.9 million for the same period in 1995, a growth rate of 81%. Of this \$7.2 million increase, \$6.3 million, or 88%, was attributable to new contracts. Same unit patient service revenue, exclusive of administrative fees, increased \$559,000, or 7%, for the three months ended March 31, 1996, compared to the same period in 1995. Same units are those units located at hospitals that were under contract with the Company for the entire period for which the percentage is calculated and the entire prior comparable period. The same unit growth resulted from volume increases as there were no general price increases during the periods.

Salaries and benefits increased \$4.5 million, or 72%, to \$10.8 million for the three months ended March 31, 1996, as compared with \$6.3 million for the same period in 1995. Of this \$4.5 million increase, \$3.4 million, or 76%, was attributable to hiring of new physicians, primarily to support new contract growth, and the remaining \$1.1 million was primarily attributable to increased support staff and resources added in the areas of nursing, management and billing and reimbursement. Supplies and other operating expenses increased \$606,000, or 100%, to \$1.2 million for the three months ended March 31, 1996, as compared with \$607,000 for the same period in 1995, primarily as a result of new contracts. Depreciation and amortization expense increased by \$159,000, or 215%, to \$233,000 for the three months ended March 31, 1996, as compared with \$74,000 for the same period in 1995, primarily as a result of amortization of goodwill in connection with acquisitions.

Income from operations increased approximately \$2.0 million, or 101%, to \$3.9 million for the three months ended March 31, 1996, as compared with \$1.9 million for the same period in 1995, representing an increase in the operating margin from 22% to 24%. The increase in operating margin was primarily due to increased volume, principally from acquisitions.

The Company earned net interest income of approximately \$499,000 for the three months ended March 31, 1996, as compared with \$107,000 for the same period in 1995. The increase in net interest income resulted primarily from additional funds available for investment due to proceeds from the initial public offering and cash flow from operations.

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

Net income increased 116% to \$2.6 million for the three months ended March 31, 1996, as compared with \$1.2 million for the same period in 1995. Net income as a percentage of net patient service revenue increased to 16% for the three months ended March 31, 1996, compared to 14% for the same period in 1995.

### LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents decreased to \$7.1 million at March 31, 1996 from \$18.5 million at December 31, 1995, due primarily to payments of \$11.6 million related to physician group acquisitions.

The Company believes that existing cash and cash equivalents and marketable securities together with cash flow from operations will be sufficient to conduct and expand its operations and to acquire additional units as necessary to maintain its competitive position.

## PART II - OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

During the ordinary course of business, the Company has become a party to pending and threatened legal actions and proceedings, most of which involve claims of medical malpractice and are generally covered by insurance. The Company believes that the outcome of such legal actions and proceedings will not have a material adverse effect on the Company's financial condition, results of operations or liquidity.

As of March 31, 1996, U.S. Federal Income Tax Returns for 1992 and 1993 were in the process of examination by the Internal Revenue Service, which the Company believes will propose certain adjustments for additional taxes and interest. The Company believes that the tax returns are substantially correct as filed and intends to vigorously contest any proposed adjustments. The Company believes that the amounts provided in the financial statements are adequate and that the ultimate resolution of the examination will have no material impact on the Company's consolidated results of operations, financial position or cash flows. There has been no material development with respect to such examination during the quarter for which this Form 10-Q is filed.

## ITEM 2. CHANGES IN SECURITIES

Not applicable.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

Not applicable.

## ITEM 5. OTHER INFORMATION

Not applicable.

## ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

## (a) Exhibits

10.1 Amended and Restated 1992 Stock Option Plan

10.24 Amendment No. 4 to 1993 Credit Agreement, dated as of December 30, 1995, between the Company and The First National Bank of Boston

10.25 1996 Qualified Employee Stock Purchase Plan

10.26 1996 Non-Qualified Employee Stock Purchase Plan

11.1 Statement Re: Computation of Per Share Earnings

27.1 Financial Data Schedule (for SEC use only)

(b) Reports on Form 8-K

During the three months ended March 31, 1996, the Company filed the following Current Reports on Form 8-K: (i) Form 8-K, dated January 31, 1996, relating to the acquisition of the capital stock of NSL and certain assets of two affiliated entities, Med-Support, L.P. and CMJ Leasing, L.P., as amended by Form 8-K/A, dated March 25, 1996, including audited financial statements of NSL for the year ended December 31, 1995; (ii) Form 8-K, dated February 8, 1996, relating to the acquisition of certain of the assets of PNC, as amended by Form 8-K/A, dated March 25, 1996, including audited financial statements of PNC for the year ended December 31, 1995; and (iii) Form 8-K, dated February 8, 1996, relating to the acquisition of the capital stock of CNA, as amended by Form 8-K/A, dated March 25, 1996 (no financial statements of CNA were required to be filed).

SIGNATURES

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

PEDIATRIX MEDICAL GROUP, INC.

Date: May 9, 1996

By: /s/ Roger J. Medel

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

Date: May 9, 1996

By: /s/ Lawrence M. Mullen

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Lawrence M. Mullen, Chief Financial Officer  
(Principal Financial and Accounting Officer)

## PEDIATRIX MEDICAL GROUP, INC.

## AMENDED AND RESTATED 1992 STOCK OPTION PLAN

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

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

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

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

(c) "Committee" shall mean the stock option committee appointed by the Board pursuant to Section 13 hereof or, if not appointed, the Board.

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

(e) "Company" shall refer to Pediatrix Medical Group, Inc., a Florida corporation, its wholly-owned subsidiary, Pediatrix Medical Group of Florida, Inc., and the following companies related to the company through long-term management contracts and which provide the medical component of the services required in respect of any arrangement where Pediatrix Medical Group, Inc. provides the non-medical component of the services required in respect of such arrangement: Pediatrix Medical Group of Arizona, California, Colorado, Illinois, Kansas, Michigan, New Jersey, New York, Ohio, Pennsylvania, Puerto Rico, Texas, Virginia and West Virginia and any future majority owned subsidiary of the Company or any business entity, partnership or other business entity related to the Company through a long-term management contract with respect to the services described herein.

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

(g) "Disinterested Person" shall mean a Director who is not, during the one year prior to his or her service as an administrator of this Plan, or during such service, granted or awarded equity securities pursuant to this Plan or any other plan of the Company or any of its affiliates, except that:

(i) participation in a formula plan meeting the conditions in paragraph (c)(2)(ii) of Rule 16b-3 promulgated under the Securities Exchange Act shall not disqualify a Director from being a Disinterested Person;

(ii) participation in an ongoing securities acquisition plan meeting the conditions in paragraph (d)(2)(i) of Rule 16b-3 promulgated under the Securities Exchange Act shall not disqualify a Director from being a Disinterested Person; and

(iii) an election to receive an annual retainer fee in either cash or an equivalent amount of securities, or partly in cash and partly in securities, shall not disqualify a Director from being a Disinterested Person.

(h) "Effective Date" shall mean September 20, 1995, the commencement date of the initial public offering contemplated by the Registration Statement filed with the Securities and Exchange Commission on Form S-1.

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

(j) "Fair Market Value" of a Share on any date of reference shall be the "Closing Price" (as defined below) of the Common Stock on the business day immediately preceding such date, unless the

Committee in its sole discretion shall determine otherwise in a fair and uniform manner. For the purpose of determining Fair Market Value, the "Closing Price" of the Common Stock on any business day shall be (i) if the Common Stock is listed or admitted for trading on any United States national securities exchange, or if actual transactions are otherwise reported on a consolidated transaction reporting system, the last reported sale price of Common Stock on such exchange or reporting system, as reported in any newspaper of general circulation, (ii) if the Common Stock is quoted on the National Association of Securities Dealers Automated Quotations System ("NASDAQ"), or any similar system of automated dissemination of quotations of securities prices in common use, the last reported sale price of Common Stock on NASDAQ or such system, or (iii) if neither clause (i) or (ii) is applicable, the mean between the high bid and low asked quotations for the Common Stock as reported by the National Quotation Bureau, Incorporated if at least two securities dealers have inserted both bid and asked quotations for Common Stock on at least five of the ten preceding days.

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

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

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

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

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

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

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

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

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

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

3. Shares and Options. The Company may grant to Optionees from time to time Options to purchase an aggregate of up to 2,500,000 Shares from authorized and unissued Shares. If any Option granted under the Plan shall terminate, expire, or be canceled or surrendered as to any Shares, new Options may thereafter be granted covering such Shares. Subject to the provisions of Section 14 hereof, an Option granted hereunder shall be either an Incentive Stock Option or a Non-Statutory Stock Option as determined by the Committee at the time of grant of such Option and shall clearly state whether it is an Incentive Stock Option or Non-Statutory Stock Option. All Incentive Stock Options shall be granted within 10 years from the effective date of this Plan.

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

5. Conditions for Grant of Options.

(a) Each Option shall be evidenced by an option agreement that may contain any term deemed necessary or desirable by the Committee, provided such terms are not inconsistent with this Plan or any applicable law. In addition to Non-Employee Directors (who shall receive Options only pursuant to Section 15 of this Plan), Optionees shall be those persons selected by the Committee from the class of all regular employees of the Company or its Subsidiaries, including Employee Directors and Officers who are regular employees of the Company. Any person who files with the Committee, in a form satisfactory to the Committee, a written waiver of eligibility to receive any Option under this Plan shall not be eligible to receive any Option under this Plan for the duration of such waiver.

(b) In granting Options to employees of the Company or its Subsidiaries, the Committee shall take into consideration the contribution the person has made to the success of the Company or its Subsidiaries and such other factors as the Committee shall determine. The Committee shall also have the authority to consult with and receive recommendations from officers and other personnel of the Company and its Subsidiaries with regard to these matters. The Committee may from time to time in granting Options to employees of the Company or its Subsidiaries under the Plan prescribe such other terms and conditions concerning such Options as it deems appropriate, including, without limitation, (i) prescribing the date or dates on which the Option becomes exercisable, (ii) providing that the Option rights accrue or become exercisable in installments over a period of years, or upon the attainment of stated goals or both, or (iii) relating an Option to the continued employment of the Optionee for a specified period of time, provided that such terms and conditions are not more favorable to an Optionee than those expressly permitted herein.

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

(d) Notwithstanding any other provision of this Plan, and in addition to any other requirements of this Plan, Options may not be granted to (i) an Officer or Employee Director unless the grant of such Options is authorized by, and all of the terms of such Options are determined by, a Committee that is appointed in accordance with Section 13 of this Plan and all of whose members are Disinterested Persons, or (ii) a Non-Employee Director unless the grant of such Options is made in accordance with Section 15 of this Plan.

(e) Notwithstanding any other provision of this Plan, and in addition to any other requirements of this Plan, the aggregate number of Options granted to any one Director, Officer or employee may not exceed 40% of the total number of options available for grant under the Plan.

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

7. Exercise of Options. An Option shall be deemed exercised when (i) the Company has received written notice of such exercise in accordance with the terms of the Option, (ii) full payment of the aggregate option price of the Shares as to which the Option is exercised has been made, and (iii) arrangements that are satisfactory to the Committee in its sole discretion have been made for the Optionee's payment to the Company of the amount that is necessary for the Company or Subsidiary employing the Optionee to withhold in accordance with applicable Federal or state tax withholding requirements. Unless further limited by the

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

8. Exercisability of Options. Any Option shall become exercisable in such amounts, at such intervals and upon such terms as the Committee shall provide in such Option, except as otherwise provided in this Section 8.

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

(b) Unless otherwise provided in any Option, each outstanding Option shall become immediately fully exercisable:

(i) if there occurs any transaction (which shall include a series of transactions occurring within 60 days or occurring pursuant to a plan), that has the result that shareholders of the Company immediately before such transaction cease to own at least 51 percent of the voting stock of the Company or of any entity that results from the participation of the Company in a reorganization, consolidation, merger, liquidation or any other form of corporate transaction;

(ii) if the shareholders of the Company shall approve a plan of merger, consolidation, reorganization, liquidation or dissolution in which the Company does not survive (unless the approved merger, consolidation, reorganization, liquidation or dissolution is subsequently abandoned); or

(iii) if the shareholders of the Company shall approve a plan for the sale, lease, exchange or other disposition of all or substantially all the property and assets of the Company (unless such plan is subsequently abandoned).

(c) Except with respect to an Option granted pursuant to Section 15 of this Plan, the Committee may in its sole discretion accelerate the date on which any Option may be exercised and may accelerate the vesting of any Shares subject to any Option or previously acquired by the exercise of any Option.

9. Termination of Option Period.

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

(i) three months after the date on which the Optionee's employment is terminated for any reason other than by reason of (A) Cause, which, solely for purposes of this Plan, shall mean the termination of the Optionee's employment by reason of the Optionee's wilful misconduct or



negligence, (B) a mental or physical disability as determined by a medical doctor satisfactory to the Committee, or (C) death;

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

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

(iv) (A) twelve months after the date of termination of the Optionee's employment by reason of death of the employee, or (B) three months after the date on which the Optionee shall die if such death shall occur during the one year period specified in Subsection 9(a)(iii) hereof.

(b) The Committee in its sole discretion may by giving written notice ("cancellation notice") cancel, effective upon the date of the consummation of any corporate transaction described in Subsections 8(b)(i), (ii) or (iii) hereof, any Option that remains unexercised on such date. Such cancellation notice shall be given a reasonable period of time prior to the proposed date of such cancellation and may be given either before or after approval of such corporate transaction.

#### 10. Adjustment of Shares.

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

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

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

(b) Subject to the specific terms of any Option, the Committee may change the terms of Options outstanding under this Plan, with respect to the option price or the number of Shares subject to the Options, or both, when, in the Committee's sole discretion, such adjustments become appropriate by reason of a corporate transaction described in Subsections 8(b)(ii) or (iii) hereof.

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

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

11. Transferability of Options. Each Option shall provide that such Option shall not be transferable by the Optionee otherwise than by will or the laws of descent and distribution, and each Option shall be exercisable during the Optionee's lifetime only by the Optionee.

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

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

(ii) a representation, warranty and/or agreement to be bound by any legends that are, in the opinion of the Committee, necessary or appropriate to comply with the provisions of any securities law deemed by the Committee to be applicable to the issuance of the Shares and are endorsed upon the Share certificates.

13. Administration of the Plan.

(a) The Plan shall be administered by the Committee, which shall consist of not less than two Directors, each of whom shall be Disinterested Persons to the extent required by Section 5(d) hereof, provided that the Committee shall not have any discretion with respect to the grant of Options to Non-Employee Directors pursuant to Section 15 of this Plan. The Committee shall have all of the powers of the Board with respect to the Plan. Any member of the Committee may be removed at any time, with or without cause, by resolution of the Board and any vacancy occurring in the membership of the Committee may be filled by appointment by the Board.

(b) The Committee, from time to time, may adopt rules and regulations for carrying out the purposes of the Plan. The Committee's determinations and its interpretation and construction of any provision of the Plan shall be final and conclusive.

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

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

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

16. Interpretation.

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

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

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

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

17. Amendment and Discontinuation of the Plan.

(a) Either the Board or the Committee may from time to time amend the Plan or any Option; provided, however, that, except to the extent provided in Section 10, no such amendment may, without approval by the shareholders of the Company, (i) materially increase the benefits accruing to participants under the Plan, (ii) materially increase the number of securities which may be issued under the Plan, or (iii) materially modify the requirements as to eligibility for participation in the Plan; and provided further, that, except to the extent provided in Section 9, no amendment or suspension of the Plan or any Option issued hereunder shall substantially impair any Option previously granted to any Optionee without the consent of such Optionee.

(b) Notwithstanding anything herein to the contrary, the provisions of this Plan which govern the number of Options to be awarded to Non-Employee Directors, the exercise price per share under each such Option, when and under what circumstances such Option will be granted and the period within which each such Option may be exercised, shall not be amended more than once every six months (even with shareholder approval), other than to conform to changes to the Code, or the rules promulgated thereunder, and under the Employee Retirement Income Security Act of 1974, as amended, or the rules promulgated thereunder, or with rules promulgated by the Securities and Exchange Commission.

18. Effective Date and Termination Date. The Plan shall be effective upon the Effective Date and shall terminate on the 10th anniversary of the Effective Date.

Execution Counterpart

AMENDMENT NO. 4  
TO 1993 CREDIT AGREEMENT

As of December 30, 1995

PEDIATRIX MEDICAL GROUP, Inc., a Florida corporation (the "Borrower"), the Related Entities of Pediatrix Medical Group, Inc. from time to time party hereto and THE FIRST NATIONAL BANK OF BOSTON, a national banking association (the "Bank") hereby agree as follows:

1. Reference to 1993 Credit Agreement: Definitions. Reference is made to the 1993 Credit Agreement dated as of September 30, 1993, as amended and in effect on the date hereof (the "Credit Agreement"), between the Borrower and the Bank. Terms defined in the Credit Agreement and not otherwise defined herein are used herein with the meanings so defined.

2. Amendments to Credit Agreement. Subject to all the terms and conditions hereof, the Credit Agreement is hereby amended (the Credit Agreement, as amended herein, is referred to herein as the "Amended Credit Agreement") as follows:

2.1. Amendment to Section 1. Section 1 of the Credit Agreement is hereby amended by restating the following definitions so that they read in their entirety as follows:

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

(i) (a) with respect to each portion of the Loans subject to a Eurodollar Pricing Option, the sum of 2.25% plus the Eurodollar Rate with respect to such Eurodollar Pricing Option; and

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

plus (ii) an additional 4% effective at all times after the occurrence of an Event of Default and until the earlier of such time as (a) such Event of Default shall have been waived in writing by the Bank or cured by the execution and delivery by the Bank of an amendment hereto specifically eliminating such Event of Default or (b) such Event of Default is no longer continuing or the condition that constituted such Event of Default no longer exists, provided that no change in the Applicable Rate as a result of the application of the clause (b) shall be construed as a waiver of or limitation on the Bank's rights under this Agreement or any other Credit Document or with respect to any of the Credit Obligations."

2.2. Amendment to Section 1. The definition of "Banking Day" in Section 1 of the Credit Agreement is hereby amended to read in its entirety as follows:

"Banking Day" means any day (other than Saturday or Sunday) on which banks are open to conduct business in Boston, Massachusetts and Fort Lauderdale, Florida and, if such term is used with reference to a Eurodollar Pricing Option, any day on which dealings are effected in the Eurodollars in question by first-class banks in the inter-bank Eurodollar markets in New York, New York."

2.3. New Definitions. Section 1 of the Credit Agreement is hereby amended by adding immediately after the definition of "ERISA" definitions, to read in their entirety as follows:

"Eurodollars" means deposits of coin or currency of the United States of America in a non-United States office or an international banking facility of the Bank.

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

"Eurodollar Interest Period" means any period, selected as provided in Section 3.1A, of one, two, three or six months, commencing on any Banking Day and ending on the corresponding date in the subsequent calendar month so indicated (or, if such subsequent calendar month has no corresponding date, on the last day of such subsequent calendar month); provided, however, that subject to Section 3.6, if any Eurodollar Interest Period so selected would otherwise begin or end on a date which is not a Banking Day, such Eurodollar Interest Period shall instead begin or end, as the case may be, on the immediately preceding or succeeding Banking Day as determined by the Bank in accordance with the then current banking practice in the inter-bank Eurodollar market with respect to Eurodollar deposits at the applicable Eurodollar Office, which determination by the Bank shall, in the absence of manifest error, be conclusive.

"Eurodollar Office" means such non-United States office or international banking facility of the Bank as the Bank may from time to time select.

"Eurodollar Pricing Options" means the options granted pursuant to Section 3.1A to have the interest on any portion of the Loans computed on the basis of a Eurodollar Rate.

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

"Eurodollar Reserve Rate" means the stated maximum rate (expressed as a decimal) of all reserves (including any basic, supplemental, marginal or emergency reserve or any reserve asset), if any, as from time to time in effect, required by any Legal Requirement to be maintained by the Bank against (i) 'Eurocurrency liabilities' as specified in Regulation D of the Board of Governors of the Federal Reserve System applicable to Eurodollar Pricing Options, (ii) any other category of liabilities that includes Eurodollar deposits by reference to which the interest rate on portions of the Loans subject to Eurodollar Pricing Options is determined, (iii) the principal amount of or interest on any portion of the Loans subject to a Eurodollar Pricing Option or (iv) any other category of extensions of credit, or other assets, that includes loans subject to a Eurodollar Pricing Option by a non-United States office of the Bank to United States residents."

2.4. New Definition. Section 1 of the Credit Agreement is hereby amended by adding immediately after the definition of "Financing Debt" a definition, to read in its entirety as follows:

"Funding Liability" means (i) any Eurodollar deposit which was used (or deemed by Section 3.9 to have been used) to fund any portion of the Loans subject to a Eurodollar Pricing Option or (ii) any portion of the Loans subject to a Eurodollar Pricing Option funded (or deemed by Section 3.9 to have been funded) with the proceeds of any such Eurodollar deposit."

2.5. New Definition. Section 1 of the Credit Agreement is hereby amended by adding immediately after the definition of "Investment" a definition, to read in its entirety as follows:

"Legal Requirement" means any present or future requirement imposed upon the Bank or the Obligors by any law, statute, rule, regulation, directive, order, decree, guideline (or any interpretation thereof by courts or of administrative bodies) of the United States of America, or any jurisdiction in which any Eurodollar Office is located or any state or political subdivision of any of the foregoing, or by any board, governmental or administrative agency, central bank or monetary authority of the United States of America, any jurisdiction in which any Eurodollar Office is located, or any political subdivision of any of the foregoing. Any such requirement imposed on the Bank not having the force of law shall be deemed to be a Legal Requirement if the Bank reasonably believes that compliance therewith is in the best interest of the Bank."

2.6. Amendment to Section 2.1.1. Section 2.1.1 of the Credit Agreement is hereby amended to read in its entirety as follows:

"2.1.1. Borrowing Requests. Revolving Loans will be made to the Borrower by the Bank under Section 2.1 on any Banking Day on or after the Effective Date and before the Final Maturity Date. Not later than noon (Boston time) on the requested Closing Date for any such loan (which shall be the third Banking Day prior to the Closing Date if any portion of such loan will be subject to a Eurodollar Pricing Option), the Borrower will give the Bank notice of its request (which may be given by a telephone call received by a lending Officer and promptly confirmed in writing), specifying the amount of the requested loan (not less than \$50,000 and in an integral multiple of \$10,000).

Notwithstanding anything contained in this Agreement, (i) the Bank may, in its sole discretion, make Revolving Loans to the Borrower under Section 2.1 at any time and in any amount and may apply any such Revolving Loan to cover the Credit Obligations of the Borrower then due and (ii) subject to all the terms and conditions of this Agreement and so long as no Default exists, if any payment of interest due under this Agreement in respect of any of the Revolving Loan, the Reserve Loan or the Mortgage Loan is not paid when due the Bank will make Revolving Loans to the Borrower under Section 2.1 on the third Banking Day after such payment of interest became due in the amount of the interest then due and will apply any such Revolving Loan to cover the interest then due (each Revolving Loan made under clauses (i) or (ii) of this paragraph being a "Credit Obligation Advance").

Each loan under Section 2.1 (other than a Credit Obligation Advance) will be made at the Boston Office by depositing the amount thereof to the general account of the Borrower with the Bank."

2.7. Amendment to Section 2.1A.1. Section 2.1A.1 of the Credit Agreement is hereby amended to read in its entirety as follows:

"2.1A.1. Borrowing Requests. Reserve Loans will be made to the Borrower by the Bank under Section 2.1A on any Banking Day on or after the Reserve Line Effective Date and before the Final Maturity Date. Not later than noon (Boston time) on the requested Closing Date for any such loan (which shall be the third Banking Day prior to the Closing Date if any portion of such loan will be subject to a Eurodollar Pricing Option), the Borrower will give the Bank notice of its request (which may be given by a telephone call received by a Lending Officer and promptly confirmed in writing), specifying the amount of the requested loan (not less than \$50,000 and in an integral multiple of \$10,000).

Each loan under Section 2.1A will be made at the Boston Office by depositing the amount thereof to the general account of the Borrower with the Bank."

2.8. Amendment to Section 3.1. Section 3.1 of the Credit Agreement is hereby amended to read in its entirety as follows:

"3.1. Interest. The Loans shall accrue and bear interest at a rate per annum which shall at all times equal the Applicable Rate. Prior to any stated or accelerated maturity of the Loans, the Borrower will, on each Payment Date, pay the accrued and unpaid interest on the portion of the Loans which was not subject to a Eurodollar Pricing Option. On the last day of each Eurodollar Interest Period or on any earlier termination of any Eurodollar Pricing Option, the Borrower will pay the accrued and unpaid interest on the portion of the Loans which was subject to the Eurodollar Pricing Option which expired or terminated on such date. In the case of any Eurodollar Interest Period longer than three months, the Borrower will also pay the accrued and unpaid interest on the portion of the Loans subject to the Eurodollar Pricing Option having such Eurodollar Interest Period at three-month intervals, the first such payment to be made on the last Banking Day of the three-month period which begins on the first day of such Eurodollar Interest Period. On the stated or any accelerated maturity of the Loans, the Borrower will pay all accrued and unpaid interest on the Loans, including any accrued and unpaid interest on any portion of the Loans which is subject to a Eurodollar Pricing Option. All payments of interest hereunder shall be made to the Bank."



2.9. New Section 3.1A. Section 3 of the Credit Agreement is hereby amended by adding immediately before Section 3.2 a new Section to read in its entirety as follows:

"3.1A Eurodollar Pricing Options. Subject to all of the terms and conditions hereof and so long as no Default exists, the Borrower may from time to time, by irrevocable notice to the Bank actually received not less than two Banking Days prior to the commencement of the Eurodollar Interest Period selected in such notice, elect to have such portion of the Loans as the Borrower may specify in such notice accrue and bear interest during the Eurodollar Interest Period so selected at the Applicable Rate computed on the basis of the Eurodollar Rate. No such election shall become effective:

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

(ii) if the Bank shall have determined (and shall have subsequently confirmed in writing to the Borrower) that, after reasonable efforts to determine the availability of such Eurodollar deposits, the Bank reasonably anticipates that Eurodollar deposits in an amount equal to the portion of the Loans as to which such Eurodollar Pricing Option has been elected and which have a term corresponding to the Eurodollar Interest Period in question will not be offered in the Eurodollar market to the Bank at a rate of interest that does not exceed the anticipated Eurodollar Basic Rate."

2.10. New Sections 3.5 through 3.10. Section 3 of the Credit Agreement is hereby amended by adding immediately after Section 3.4 new Sections to read in their entirety as follows:

"3.5. Notice to the Borrower. Upon determination by the Bank of the Eurodollar Rate for such Eurodollar Interest Period or in the event no such election shall become effective, the Bank will promptly notify the Borrower (by

telephone or otherwise) of the Eurodollar Rate so determined or why such election did not become effective.

3.6. Selection of Eurodollar Interest Periods. Eurodollar Interest Periods shall be selected so that:

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

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

(iii) a portion of the Loans equal to or greater than the amount of the next mandatory prepayment required by Section 4.1.2 or 4.1A.2 shall not be subject to a Eurodollar Pricing Option on the date such mandatory prepayment is required to be made unless such Eurodollar Pricing Option is expiring on such date; and

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

3.7. Additional Interest. If any portion of the Loans subject to a Eurodollar Pricing Option is repaid, or any Eurodollar Pricing Option is terminated for any reason (including acceleration of maturity), on a date which is prior to the last Banking Day of the Eurodollar Interest Period applicable to such Eurodollar Pricing Option, the Borrower will pay to the Bank, in addition to any amounts of interest otherwise payable hereunder, an amount equal to the present value (calculated in accordance with this Section 3.7) of interest for the unexpired portion of such Eurodollar Interest Period on the portion of the Loans so repaid, or as to which a Eurodollar Pricing Option was so terminated, at a per annum rate equal to the excess, if any, of (i) the rate applicable to such Eurodollar Pricing Option minus (ii) the rate of interest obtainable by the Bank upon the purchase of debt securities customarily issued by the Treasury of the United States of America which have a maturity date approximating the last Banking Day of such Eurodollar Interest Period. The present value of such additional interest shall be calculated by discounting the amount of such interest for each date in the unexpired portion of such Eurodollar Interest Period from such day to the date of such repayment or termination at a per annum interest rate equal to the interest rate determined pursuant to clause (ii) of the preceding sentence, and by adding all such amounts for all such days during such period. The determination by the Bank of such amount of interest shall, in the absence

of manifest error, be conclusive. For purposes of this Section 3.7, if any portion of the Loans which was to have been subject to a Eurodollar Pricing Option is not outstanding on the first day of the Eurodollar Interest Period applicable to such Eurodollar Pricing Option other than for reasons described in Section 3.1A, the Borrower shall be deemed to have terminated such Eurodollar Pricing Option.

3.8. Violation of Legal Requirements. If any Legal Requirement shall prevent the Bank from funding or maintaining through the purchase of deposits in the interbank Eurodollar market any portion of the Loans subject to a Eurodollar Pricing Option, or otherwise from giving effect to the Bank's obligations as contemplated by Section 3.1 A, (i) the Bank may by notice to the Borrower terminate all of the affected Eurodollar Pricing Options, (ii) the portion of the Loans subject to such terminated Eurodollar Pricing Options shall immediately bear interest thereafter at the Applicable Rate computed on the basis of the Base Rate and (iii) the Borrower shall make any payment required by Section 3.7.

3.9. Funding Procedure. The Bank may fund any portion of the Loans subject to a Eurodollar Pricing Option out of any funds available to the Bank. Regardless of the source of the funds actually used by the Bank to fund any portion of the Loans subject to a Eurodollar Pricing Option, however, all amounts payable hereunder, including the interest rate applicable to any such portion of the Loans and the amounts payable under Sections 3.3, 3.7 and 3.10 shall be computed as if the Bank had actually funded such portion of the Loans through the purchase of deposits in such amount of the type by which the Eurodollar Rate was determined with a maturity the same as the applicable Eurodollar Interest Period relating thereto and through the transfer of such deposits from an office of the Bank having the same location as the applicable Eurodollar Office to one of the Bank's offices in the United States of America.

3.10. Reserve Requirements. etc. If any Legal Requirement shall (i) impose, modify, increase or deem applicable any insurance assessment, reserve, special deposit or similar requirement against any Funding Liability, (ii) impose, modify, increase or deem applicable any other requirement or condition with respect to any Funding Liability, or (iii) change the basis of taxation of Funding Liabilities (other than changes in the rate of taxes measured by the overall net income of the Bank) and the effect of any of the foregoing shall be to increase the cost to the Bank of issuing, making, funding or maintaining any portion of the Loans subject to a Eurodollar Pricing Option, to reduce the amounts received or receivable by the Bank under this Agreement or to require the Bank to make any payment or forego any amounts otherwise payable to the Bank under this Agreement, then, upon demand by the Bank, the Borrower

shall immediately pay to the Bank such additional amounts as are from time to time specified by the Bank which shall be sufficient to compensate the Bank for such increased cost or such reduction, together with the interest at the highest Applicable Rate then in effect on each such amount from five Banking Days after the date demanded until payment in full thereof; provided, however, that the foregoing provisions shall not apply to any tax or to any reserves which are included in computing the Eurodollar Reserve Rate. The determination by the Bank of the amount of such costs shall, in the absence of manifest error, be conclusive."

2.11. Amendment of Section 4.1.3. Section 4.1.3 of the Credit Agreement is hereby amended to read in its entirety as follows:

"4.1.3. Voluntary Prepayments of Revolving Loan. In addition to the prepayment required by Section 4.1.2, the Borrower may from time to time prepay all or any portion of the Revolving Loan, without penalty or premium of any type (except as provided in Section 3.7 with respect to the early termination of Eurodollar Pricing Options)."

2.12. Amendment to Section 4.1.4. Section 4.1.4 of the Credit Agreement is hereby amended to read in its entirety as follows:

"4.1.4. Reborrowing: Application of Payments. The amounts of the Revolving Loan prepaid pursuant to Section 4.1.3 may be reborrowed from time to time prior to the Final Maturity Date in accordance with Section 2.1. The amount of the Revolving Loan prepaid pursuant to Section 4.1.1 may not be reborrowed. All payments of principal hereunder shall be made to the Bank and shall be applied first to the portion of the Loans not then subject to a Eurodollar Pricing Option, then the balance of any such prepayment shall be applied to the portion of the Loans then subject to Eurodollar Pricing Options, in the chronological order of the respective maturities thereof, together with any payments required by Section 3.7."

2.13. Amendment of Section 4.1A.3. Section 4.1A.3 of the Credit Agreement is hereby amended to read in its entirety as follows:

"4.1A.3. Voluntary Prepayments of Reserve Loan. In addition to the prepayment required by Section 4.1A.2, the Borrower may from time to time prepay all or any portion of the Reserve Loan, without penalty or premium of any type (except as provided in Section 3.7 with respect to the early termination of Eurodollar Pricing Options). "

2.14. Amendment of SECTION 4.1A.4. Section 4.1A.4 of the Credit Agreement is hereby amended to read in its entirety as follows:

"4.1A.4. Reborrowing: Application of Payments. The amounts of the Reserve Loan prepaid pursuant to Section 4.1A.3 may be reborrowed from time to time prior to the Final Maturity Date in accordance with Section 2.1A. The amount of the Reserve Loan prepaid pursuant to Section 4.1A.1 may not be reborrowed. All payments of principal hereunder shall be made to the Bank and shall be applied first to the portion of the Loans not then subject to a Eurodollar Pricing Option, then the balance of any such prepayment shall be applied to the portion of the Loans then subject to Eurodollar Pricing Options, in the chronological order of the respective maturities thereof, together with any payments required by Section 3.7."

2.15. Amendment to Section 8.9.3. Section 8.9.3 of the Credit Agreement is hereby amended to read in its entirety as follows:

"8.9.3. (i) Advances to employees, agents and consultants in the ordinary course of business, including, but not limited to, travel, payroll and other expenses incurred in the ordinary course of business and (ii) loans to employees not to exceed a principal amount of \$1,000,000 in the aggregate at any one time outstanding."

2.16. Amendment to Section 8.11. Section 8.11 of the Credit Agreement is hereby amended to read in its entirety as follows:

"8.11. Capital Expenditures. Neither the Borrower nor any of its Related Entities will make Capital Expenditures exceeding \$2,000,000 in the aggregate in any fiscal year; provided, however, that the Borrower may make additional Capital Expenditures in respect of a new office building to be constructed on the property adjacent to the property that is subject to the Mortgage so long as such additional Capital Expenditures do not exceed \$2,000,000 in the aggregate."

3. No Default. In order to induce the Bank to enter into this Amendment and to continue to extend credit to the Borrower under the Credit Agreement as amended hereby, each of the Obligors hereby represents and warrants that (a) no Default under the Credit Agreement now exists, except that the Borrower made certain advances to employees and Capital Expenditures which exceeded the dollar limits set forth in Sections 8.9.3 and 8.11 of the Credit Agreement, respectively, and (b) after giving effect to this Amendment no Default under the Amended Credit Agreement shall exist.

4. Miscellaneous. Except to the extent specifically amended hereby, the provisions of the Credit Agreement shall remain unmodified, and subject to the conditions contained in this Amendment, the Amended Credit Agreement is hereby confirmed as being in full force and

effect. This Amendment may be executed in any number of counterparts which together shall constitute one instrument, shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, without regard to the conflict of laws rules of any jurisdictions, and shall bind and inure to the benefit of the parties hereto and their respective successors and assigns pursuant to Section 12 of the Amended Credit Agreement.

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

PEDIATRIX MEDICAL GROUP, INC.

By /s/ Larry Mullen  
-----  
Title:

RELATED ENTITIES:

PEDIATRIX MEDICAL GROUP, P.C.  
(California)

By /s/ Larry Mullen  
-----  
Title:

PEDIATRIX MEDICAL GROUP, INC.  
(Florida)

By /s/ Larry Mullen  
-----  
Title:

PEDIATRIX MEDICAL GROUP, P.C.  
(Illinois)

By /s/ Cathy J. Lerman  
-----  
Title:

PEDIATRIX MEDICAL GROUP, P.A.  
(Kansas)

By /s/ Ed Ofero  
-----  
Title:

PEDIATRIX MEDICAL GROUP, P.C.  
(Michigan)

By /s/ Larry Mullen  
-----  
Title:

PEDIATRIX MEDICAL GROUP, P.A.  
(New Jersey)

By /s/ Larry Mullen  
-----  
Title:

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

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

PEDIATRIX MEDICAL GROUP, P.C.  
(Pennsylvania)

By /s/ Brian D. Udell  
-----  
Title:

PEDIATRIX MEDICAL GROUP, S.P.  
(Puerto Rico)

By /s/ Carlos Perez  
-----  
Title:

PEDIATRIX MEDICAL GROUP, P.C.  
(Virginia)

By /s/ Larry Mullen  
-----  
Title:



PEDIATRIX MEDICAL GROUP, P.C.  
(West Virginia)

By /s/ Larry Mullen  
-----  
Title:

PEDIATRIX MEDICAL GROUP, P.A.  
(Texas)

By /s/ Steve Haskins  
-----  
Title:

PEDIATRIX MEDICAL GROUP, P.A.  
(Ohio)

By /s/ Brian D. Udell  
-----  
Title:

THE FIRST NATIONAL BANK OF BOSTON

By /s/ Gregory O'Brien  
-----  
Director

100 Federal Street  
Boston, Massachusetts 02110  
Attention: Gregory G. O'Brien  
Mail Stop: 01-20-05  
Telecopy: (617) 434-1279

## 1996 QUALIFIED EMPLOYEE STOCK PURCHASE PLAN

## 1. EFFECTIVE DATE AND PURPOSE OF THE PLAN

The effective date of the Pediatrix Medical Group 1996 Qualified Employee Stock Purchase Plan (the "Plan") is April 1, 1996.

The purpose of the Plan is to encourage ownership of Pediatrix Medical Group Common Stock by eligible employees of the Company, thereby enhancing employee interest in the continued success and progress of Pediatrix Medical Group, Inc. The Plan provides employees the opportunity to invest in such stock at a discounted price through payroll deductions. The Plan is intended to comply with Section 423 of the Code.

## 2. DEFINITIONS

For purposes of this Plan, the following terms used in this document have the meanings as defined below:

"Account" -- a separate account maintained by the Custodian for each Participant which reflects the number of shares of Common Stock purchased under the Plan by such Participant.

"Agent and recordkeeper" -- Dean Witter Trust Company.

"Business Day" -- a day on which there is trading on the NASDAQ exchange.

"Code" - the Internal Revenue Code of 1986, including any amendments.

"Committee" -- the Compensation Committee of the Board of Directors of Pediatrix.

"Common Stock" -- Pediatrix Medical Group, Inc. common stock, par value of \$.01 per share.

"Company" -- Pediatrix and any subsidiary (within the meaning of Section 424(f) of the Code) of Pediatrix whose employees are designated by the Committee as being Eligible Employees.

"Compensation" -- the amount of a Participant's base wages, overtime, commissions, and cash bonuses, before giving effect to any compensation reductions made in connection with any plans described in Section 401(k) or Section 125 of the Code.

"Custodian" -- The Bank of New York.

"Eligible Employee" -- an employee of the Company who is eligible to participate in the Plan in accordance with Section 3. of this Plan.

"Entry Date" -- the first Business Day of each Purchase Period.

"Exchange Act" -- The Securities Exchange Act of 1934, as amended.

"Fair Market Value" -- the value of a share of Common Stock on any Business Day shall be the average of the high and low prices of Common Stock as published in the NASDAQ listing for such day; in the event that such prices are not published, the Fair Market Value of a share of Common Stock shall be determined by the Committee.

"Participant" -- each Eligible Employee who has elected to have amounts deducted from his or her Compensation to participate in this Employee Stock Purchase Plan.

"Pediatrix" -- Pediatrix Medical Group, Inc., a Florida corporation.

"Purchase Date" -- the first Business Day after the end of each Purchase Period on which it is administratively possible to do the purchase, but no more than five business days after the end of each Purchase Period.

"Purchase Period" -- each of the six-month periods ending on the last day of September and March. The initial Purchase Period of the Plan shall begin on April 1, 1996, and end on September 30, 1996.

"Purchase Price" -- the lesser of: the Fair Market Value of a share of Common Stock on the Entry Date, less 15%; or the Fair Market Value of a share of Common Stock on the Purchase Date, less 15%.

### 3. ELIGIBILITY

Employees are eligible to participate in the Plan if, at the beginning of the Purchase Period, the employee is regularly scheduled to work at least 20 hours per week and more than five months per year. No employee shall be eligible to participate in the Plan if, immediately after the Entry Date, the employee (or any other person whose stock would be attributed to the employee pursuant to Section 424(d) of the Code) would own stock and/or hold options to purchase stock possessing 5% or more of the total combined voting power or value of all classes of stock of Pediatrix or any parent company or subsidiaries thereof.

### 4. PARTICIPATION

Participation in the Plan is voluntary. An eligible employee may elect to participate by completing an enrollment form and returning it to the Human Resources Department of Pediatrix. The payroll deductions will start at the beginning of the next Purchase Period. The completed enrollment form must be received by the Human Resources Department of Pediatrix no later than 15 days prior to the beginning of a Purchase Period.

Purchase Periods begin on April 1, and October 1 of each year, so long as the Plan remains in effect. Once an employee enrolls, he/she will automatically continue participation in subsequent Purchase Periods on the same basis, unless he/she elects to change deduction amounts, withdraw, or becomes ineligible.

### 5. COMMON STOCK AVAILABLE UNDER THE PLAN

The maximum number of shares of Common Stock which may be purchased under the Plan is 500,000 subject to adjustment in the event of any capital change by reason of any stock dividend or split, recapitalization, merger in which Pediatrix is the surviving entity, combination or exchange of shares or similar corporate change. In such an event, the number and type of shares of Pediatrix which Participants may purchase under the Plan, and the maximum number of shares which may be purchased under the Plan, will be adjusted, as appropriate, by the Board of Directors of Pediatrix.

### 6. PURCHASES OF COMMON STOCK

On the Purchase Date for each Purchase Period, whole and fractional shares will be purchased for each Participant with the accumulated Participant payroll deductions. The Purchase Price is the lesser of 85% of the Fair Market Value of a share of Common Stock on the Entry Date, or 85% of the Fair Market Value of a share of Common Stock on the Purchase Date of the Purchase Period. Additionally, commission charges relating to the purchase of Common Stock under the Plan will be paid by the Company.

### 7. INVESTING IN THE PLAN

Plan elections for payroll deductions must be in whole percentages or specific dollar amounts. The minimum percent is 1% of Compensation per pay period, and the maximum percent is 15%.

If a Participant elects a specific dollar amount, the minimum is \$25 per pay period. The maximum payroll deduction per Purchase Period is \$10,625. Please see Section 8 for limitations on purchases.

Payroll deductions are accumulated in non-interest bearing accounts until each Purchase Date.

#### 8. LIMITATION ON PURCHASES

The Fair Market Value of Common Stock that a Participant has the right to Purchase under the Plan cannot exceed \$25,000 in one calendar year. This limitation is based on calculating the Fair Market Value at the beginning of each Purchase Period.

#### 9. CHANGING PAYROLL DEDUCTIONS

A Participant's elected payroll deduction may be increased or decreased effective with the next Purchase Period. The form must be received by the Human Resources Department of Pediatrix no later than 15 days prior to the next Purchase Period. Changes will not become effective during a Purchase Period.

Participants may, however, cease deductions during a Purchase Period. If a Participant ceases deductions during a Purchase Period the deductions already taken will be refunded to the Participant as soon as practicable. The Participant would not be eligible to participate again until the second Purchase Period after the one in which he/she withdrew. In order to rejoin the Plan, a new enrollment form must be submitted.

#### 10. RIGHTS AS A STOCKHOLDER

From the initial Purchase Date of shares of Common Stock, and thereafter (unless and until the Participant sells the Common Stock), the Participant shall have all the rights and privileges of a stockholder of Pediatrix with respect to the shares of Common Stock purchased by the Participant.

Proxy information will be provided for each stockholders meeting, so that each Participant may have his/her full and fractional shares voted according to their instructions.

#### 11. ACCOUNTS

The Bank of New York has been appointed Custodian for the Plan. The Custodian will maintain an Account for each Participant. As shares of Common Stock are purchased at the end of each Purchase Period, each Participant's full and fractional shares will be held in his/her Account.

Participants will receive an Account Statement, as soon as administratively possible after the end of each Purchase Period, which will include the number of full and fractional shares purchased for the Participant at the end of each Purchase Period, the total number of shares owned by the Participant under the Plan, the cost per share, and the current value of shares held.

#### 12. NOTICE OF DISPOSITION OF STOCK

Each Participant agrees, by his/her participation in the Plan, to promptly notify the Company in writing of any disposition of any Common Stock purchased under the Plan occurring within two years after the Entry Date of the Purchase Period in which such Common Stock was purchased.

#### 13. NO TRANSFER OF RIGHTS

The rights granted under the Plan may not be assigned or transferred under any circumstances.

#### 14. ADMINISTRATION

The Plan is administered by the Compensation Committee. The members of the Compensation Committee are not eligible to participate in the Plan. The Committee has the authority to interpret the Plan and to establish rules and regulations for its administration, and the decisions and interpretations of the Plan by the Committee shall be final, conclusive and binding upon all Participants. The Committee has the authority to delegate the day-to-day administration of the Plan.

## 15. SELLING STOCK

Although the Plan is intended to provide Participants with an ownership interest in Pediatrix as an investment, Participants may sell shares of Common Stock purchased under the Plan by completing and submitting the appropriate form to the Human Resources Department of Pediatrix. Additionally, Participants will be responsible for the \$15 transaction fee related to the sale and the \$.05 per share commission fee.

Restrictions may apply to the resale of shares of Common Stock by certain officers of the Company and those having similar responsibilities, who are subject to the SEC insider reporting and short-swing profit rules.

## 16. SHAREHOLDER APPROVAL

The Plan shall become effective on April 1, 1996, subject to approval by the shareholders of Pediatrix in accordance with applicable law and the requirements of Section 423 of the Code. Participation in the Plan may commence on the effective date, prior to receipt of shareholder approval, provided that, if shareholder approval is not received prior to the initial Purchase Date, no shares of Common Stock shall be purchased under the Plan until Participants are advised of SEC rules regarding the sale of shares. Participants would have the option to remain in the Plan or have deducted amounts returned. In addition, to the extent necessary to comply with Rule 16b-3 of the Exchange Act or under Section 423 of the Code or other applicable law, the Committee shall obtain approval of the shareholders of Pediatrix of any Plan amendment in such a manner and to such a degree as required.

## 17. AMENDMENTS

The Compensation Committee may at any time, or from time to time, amend the Plan in any respect, except that, without approval of the shareholders of Pediatrix, no amendment may be made (a) increasing the number of shares which may be purchased under the Plan (other than provided in Section 5 herein), (b) materially increasing the benefits accruing to Participants, or (c) materially modifying the requirements as to eligibility for participation in the Plan.

## 18. TERMINATION OF THE PLAN

The Plan and all rights hereunder shall terminate on the earliest of:

- the date on which the maximum number of shares of Common Stock available for purchase under the Plan has been purchased;
- the termination of the Plan by the Compensation Committee;
- the effective date of any consolidation or merger in which Pediatrix is not the surviving entity, any exchange or conversion of outstanding shares of Pediatrix for or into securities of another entity or other consideration, or any complete liquidation of Pediatrix.

Upon termination of the Plan, any shares in the Participant's account shall be delivered by the Custodian to the Participant or his/her legal representative as soon as practicable following such termination.

## 19. LAWS AND REGULATIONS

Notwithstanding any other provision of the Plan, the rights of Participants to purchase Common Stock hereunder shall be subject to compliance with all applicable Federal, state and foreign laws, rules and regulations and the rules of each stock exchange upon which the Common Stock is from time to time listed.

The Plan and purchase of Common Stock hereunder shall be subject to additional rules and regulations, not inconsistent with the Plan, that may be promulgated from time to time by the Committee regarding purchases and sales of Common Stock.

## 20. PARTICIPANT RETIREMENT, EMPLOYMENT TERMINATION, OR DEATH

In the event of the Participant's retirement or termination of employment, any uninvested amount will be refunded to the Participant. Shares held in the Plan will be distributed in accordance with the Participant's instructions.

In the event of the Participant's death, dollars and shares in the Participant's account will be delivered to the beneficiary designated on the Participant's enrollment form. If none is listed, the dollars and shares will be delivered to the Participant's estate.

## 21. EMPLOYMENT

The Plan shall not confer any rights of continued employment upon any employee of Pediatrix.

## 22. ADDITIONAL RESTRICTIONS OF RULE 16B-3

Persons subject to Section 16 of the Exchange Act shall comply with the applicable provisions of Rule 16b-3 of the Exchange Act or any successor provision. This Plan shall be deemed to contain such additional conditions and restrictions as may be required by Rule 16b-3 to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions. In the event that Rule 16b-3 provides specific requirements for the administrators of plans of this type, the Plan shall only be administered by such body and in such a manner as to comply with the applicable requirements of Rule 16b-3. Unless permitted by Rule 16b-3, no discretion concerning decisions regarding the Plan shall be afforded to any Committee or person that is not "disinterested" as that term is used in Rule 16b-3.

## 23. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

Subject to any required action by the stockholders of Pediatrix, the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised and the number of shares of Common Stock which have been authorized for issuance under the Plan but have not yet been placed under option (collectively, the "Reserves"), as well as the price per share of Common Stock covered by each option under the Plan which has not yet been exercised, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by Pediatrix; provided, however, that conversion of any convertible securities of Pediatrix shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Committee, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issue by Pediatrix of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

In the event of the proposed dissolution or liquidation of Pediatrix, the Purchase Period will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Committee. In the event of a proposed sale of all or substantially all of the assets of Pediatrix, or the merger of Pediatrix with or into another corporation, each option under the Plan shall be assumed or an equivalent option shall be assumed or substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Committee determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, that the Participant shall have the right to exercise the option as to all of the optioned stock, including shares as to which the option would not otherwise be exercisable. If the Committee makes an option fully exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Committee shall notify the Participant that the option shall be fully exercisable for a period of thirty (30) days from the date of such notice, and the option will terminate upon the expiration of such period.

The Committee may, if it so determines in the exercise of its sole discretion, also make provision for adjusting the Reserves, as well as the price per share of Common Stock covered by each outstanding option, in the event that Pediatrix effects one or more reorganizations, recapitalization, rights offerings or other increases or reductions of shares of its outstanding Common Stock, and in the event of Pediatrix being consolidated with or merged into any other corporation.

## 1996 NON-QUALIFIED EMPLOYEE STOCK PURCHASE PLAN

## 1. EFFECTIVE DATE AND PURPOSE OF THE PLAN

The effective date of the Pediatrix Medical Group 1996 Non-Qualified Employee Stock Purchase Plan (the "Plan") is April 1, 1996.

The purpose of the Plan is to encourage ownership of Pediatrix Medical Group Common Stock by eligible employees of the Company, thereby enhancing employee interest in the continued success and progress of Pediatrix Medical Group, Inc. The Plan provides employees the opportunity to invest in such stock at a discounted price through payroll deductions.

## 2. DEFINITIONS

For purposes of this Plan, the following terms used in this document have the meanings as defined below:

"Account" -- a separate account maintained by the Custodian for each Participant which reflects the number of shares of Common Stock purchased under the Plan by such Participant.

"Agent and recordkeeper" -- Dean Witter Trust Company.

"Business Day" -- a day on which there is trading on the NASDAQ exchange.

"Committee" -- the Compensation Committee of the Board of Directors of Pediatrix.

"Common Stock" -- Pediatrix Medical Group, Inc. common stock, par value of \$.01 per share.

"Company" -- Each of the following companies related to Pediatrix through long-term management contracts and which provide the medical component of the services required in respect of any arrangement where Pediatrix provides the non-medical component of the services required in respect of such arrangement: Pediatrix Medical Group of Arizona, California, Colorado, Illinois, Kansas, Michigan, New Jersey, New York, Ohio, Pennsylvania, Puerto Rico, Texas, Virginia and West Virginia, and any future business entity related to Pediatrix in such manner and which adopts the Plan with the consent of the Board of Directors of Pediatrix.

"Compensation" -- the amount of a Participant's base wages, overtime, commissions, and cash bonuses, before giving effect to any compensation reductions made in connection with any plans described in Section 401(k) or Section 125 of the Code.

"Custodian" -- The Bank of New York.

"Eligible Employee" -- an employee of the Company who is eligible to participate in the Plan in accordance with Section 3. of this Plan.

"Entry Date" -- the first Business Day of each Purchase Period.

"Exchange Act" -- The Securities Exchange Act of 1934, as amended.

"Fair Market Value" -- the value of a share of Common Stock on any Business Day shall be the average of the high and low prices of Common Stock as published in the NASDAQ listing for such day; in the event that such prices are not published, the Fair Market Value of a share of Common Stock shall be determined by the Committee.

"Participant" -- each Eligible Employee who has elected to have amounts deducted from his or her Compensation to participate in this Employee Stock Purchase Plan.

"Pediatrix" -- Pediatrix Medical Group, Inc., a Florida corporation.



"Purchase Date" -- the first Business Day after the end of each Purchase Period on which it is administratively possible to do the purchase, but no more than five business days after the end of each Purchase Period.

"Purchase Period" -- each of the six-month periods ending on the last day of September and March. The initial Purchase Period of the Plan shall begin on April 1, 1996, and end on September 30, 1996.

"Purchase Price" -- the lesser of: the Fair Market Value of a share of Common Stock on the Entry Date, less 15%; or the Fair Market Value of a share of Common Stock on the Purchase Date, less 15%.

### 3. ELIGIBILITY

Employees are eligible to participate in the Plan if, at the beginning of the Purchase Period, the employee is regularly scheduled to work at least 20 hours per week and more than five months per year. No employee shall be eligible to participate in the Plan if, immediately after the Entry Date, the employee (or any other person whose stock would be attributed to the employee pursuant to Section 424(d) of the Code) would own stock and/or hold options to purchase stock possessing 5% or more of the total combined voting power or value of all classes of stock of Pediatrix or any parent company or subsidiaries thereof. Any employee eligible to participate in the Pediatrix 1996 Qualified Employee Stock Purchase Plan is not eligible to participate in this Plan.

### 4. PARTICIPATION

Participation in the Plan is voluntary. An eligible employee may elect to participate by completing an enrollment form and returning it to the Human Resources Department of Pediatrix. The payroll deductions will start at the beginning of the next Purchase Period. The completed enrollment form must be received by the Human Resources Department of Pediatrix no later than 15 days prior to the beginning of a Purchase Period.

Purchase Periods begin on April 1 and October 1 of each year so long as the Plan remains in effect. Once an employee enrolls, he/she will automatically continue participation in subsequent Purchase Periods on the same basis, unless he/she elects to change deduction amounts, withdraw, or becomes ineligible.

### 5. COMMON STOCK AVAILABLE UNDER THE PLAN

The maximum number of shares of Common Stock which may be purchased under the Plan is 500,000, subject to adjustment in the event of any capital change by reason of any stock dividend or split, recapitalization, merger in which Pediatrix is the surviving entity, combination or exchange of shares or similar corporate change. In such an event, the number and type of shares of Pediatrix which Participants may purchase under the Plan, and the maximum number of shares which may be purchased under the Plan, will be adjusted, as appropriate, by the Board of Directors of Pediatrix.

### 6. PURCHASES OF COMMON STOCK

On the Purchase Date for each Purchase Period, whole and fractional shares will be purchased for each Participant with the accumulated Participant payroll deductions. The Purchase Price is the lesser of 85% of the Fair Market Value of a share of Common Stock on the Entry Date, or 85% of the Fair Market Value of a share of Common Stock on the Purchase Date of the Purchase Period. Additionally, commission charges relating to the purchase of Common Stock under the Plan will be paid by the Company.

### 7. INVESTING IN THE PLAN

Plan elections for payroll deductions must be in whole percentages or specific dollar amounts. The minimum percent is 1% of Compensation per pay period, and the maximum percent is 15%.

If a Participant elects a specific dollar amount, the minimum is \$25 per pay period. The maximum payroll deduction per Purchase Period is \$10,625. Please see Section 8 for limitations on purchases.

Payroll deductions are accumulated in non-interest bearing accounts until each Purchase Date.

#### 8. LIMITATION ON PURCHASES

The Fair Market Value of Common Stock that a Participant has the right to Purchase under the Plan cannot exceed \$25,000 in one calendar year. This limitation is based on calculating the Fair Market Value at the beginning of each Purchase Period.

#### 9. CHANGING PAYROLL DEDUCTIONS

A Participant's elected payroll deduction may be increased or decreased effective with the next Purchase Period. The form must be received by the Human Resources Department of Pediatrix no later than 15 days prior to the next Purchase Period. Changes will not become effective during a Purchase Period.

Participants may, however, cease deductions during a Purchase Period. If a Participant ceases deductions during a Purchase Period the deductions already taken will be refunded to the Participant as soon as practicable. The Participant would not be eligible to participate again until the second Purchase Period after the one in which he/she withdrew. In order to rejoin the Plan, a new enrollment form must be submitted.

#### 10. RIGHTS AS A STOCKHOLDER

From the initial Purchase Date of shares of Common Stock, and thereafter (unless and until the Participant sells the Common Stock), the Participant shall have all the rights and privileges of a stockholder of Pediatrix with respect to the shares of Common Stock purchased by the Participant.

Proxy information will be provided for each stockholders meeting, so that each Participant may have his/her full and fractional shares voted according to their instructions.

#### 11. ACCOUNTS

The Bank of New York has been appointed Custodian for the Plan. The Custodian will maintain an Account for each Participant. As shares of Common Stock are purchased at the end of each Purchase Period, each Participant's full and fractional shares will be held in his/her Account.

Participants will receive an Account Statement, as soon as administratively possible after the end of each Purchase Period, which will include the number of full and fractional shares purchased for the Participant at the end of each Purchase Period, the total number of shares owned by the Participant under the Plan, the cost per share, and the current value of shares held.

#### 12. NO TRANSFER OF RIGHTS

The rights granted under the Plan may not be assigned or transferred under any circumstances.

#### 13. ADMINISTRATION

The Plan is administered by the Compensation Committee. The members of the Compensation Committee are not eligible to participate in the Plan. The Committee has the authority to interpret the Plan and to establish rules and regulations for its administration, and the decisions and interpretations of the Plan by the Committee shall be final, conclusive and binding upon all Participants. The Committee has the authority to delegate the day-to-day administration of the Plan.

#### 14. SELLING STOCK

Although the Plan is intended to provide Participants with an ownership interest in Pediatrix as an investment, Participants may sell shares of Common Stock purchased under the Plan by completing and

submitting the appropriate form to the Human Resources Department of Pediatrix. Additionally, Participants will be responsible for the \$15 transaction fee related to the sale and the \$.05 per share commission fee.

Restrictions may apply to the resale of shares of Common Stock by certain officers of the Company and those having similar responsibilities, who are subject to the SEC insider reporting and short-swing profit rules.

#### 15. SHAREHOLDER APPROVAL

The Plan shall become effective on April 1, 1996, subject to approval by the shareholders of Pediatrix. Participation in the Plan may commence on the effective date, prior to receipt of shareholder approval, provided that, if shareholder approval is not received prior to the initial Purchase Date, no shares of Common Stock shall be purchased under the Plan until Participants are advised of SEC rules regarding the sale of shares. Participants would have the option to remain in the Plan or have deducted amounts returned. In addition, to the extent necessary to comply with Rule 16b-3 of the Exchange Act or other applicable law, the Committee shall obtain approval of the shareholders of Pediatrix of any Plan amendment in such a manner and to such a degree as required.

#### 16. AMENDMENTS

The Compensation Committee may at any time, or from time to time, amend the Plan in any respect, except that, without approval of the shareholders of Pediatrix, no amendment may be made (a) increasing the number of shares which may be purchased under the Plan (other than provided in Section 5 herein), (b) materially increasing the benefits accruing to Participants, or (c) materially modifying the requirements as to eligibility for participation in the Plan.

#### 17. TERMINATION OF THE PLAN

The Plan and all rights hereunder shall terminate on the earliest of:

- the date on which the maximum number of shares of Common Stock available for purchase under the Plan has been purchased;
- the termination of the Plan by the Compensation Committee;
- the effective date of any consolidation or merger in which Pediatrix is not the surviving entity, any exchange or conversion of outstanding shares of Pediatrix for or into securities of another entity or other consideration, or any complete liquidation of Pediatrix.

Upon termination of the Plan, any shares in the Participant's account shall be delivered by the Custodian to the Participant or his/her legal representative as soon as practicable following such termination.

#### 18. LAWS AND REGULATIONS

Notwithstanding any other provision of the Plan, the rights of Participants to purchase Common Stock hereunder shall be subject to compliance with all applicable Federal, state and foreign laws, rules and regulations and the rules of each stock exchange upon which the Common Stock is from time to time listed.

The Plan and purchase of Common Stock hereunder shall be subject to additional rules and regulations, not inconsistent with the Plan, that may be promulgated from time to time by the Committee regarding purchases and sales of Common Stock.

#### 19. PARTICIPANT RETIREMENT, EMPLOYMENT TERMINATION, OR DEATH

In the event of the Participant's retirement or termination of employment, any uninvested amount will be refunded to the Participant. Shares held in the Plan will be distributed in accordance with the Participant's instructions.

In the event of the Participant's death, dollars and shares in the Participant's account will be delivered to the beneficiary designated on the Participant's enrollment form. If none is listed, the dollars and shares will be delivered to the Participant's estate.

## 20. EMPLOYMENT

The Plan shall not confer any rights of continued employment upon any employee of a Company.

## 21. ADDITIONAL RESTRICTIONS OF RULE 16B-3

Persons subject to Section 16 of the Exchange Act shall comply with the applicable provisions of Rule 16b-3 of the Exchange Act or any successor provision. This Plan shall be deemed to contain such additional conditions and restrictions as may be required by Rule 16b-3 to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions. In the event that Rule 16b-3 provides specific requirements for the administrators of plans of this type, the Plan shall only be administered by such body and in such a manner as to comply with the applicable requirements of Rule 16b-3. Unless permitted by Rule 16b-3, no discretion concerning decisions regarding the Plan shall be afforded to any Committee or person that is not "disinterested" as that term is used in Rule 16b-3.

## 22. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

Subject to any required action by the stockholders of Pediatrix, the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised and the number of shares of Common Stock which have been authorized for issuance under the Plan but have not yet been placed under option (collectively, the "Reserves"), as well as the price per share of Common Stock covered by each option under the Plan which has not yet been exercised, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by Pediatrix; provided, however, that conversion of any convertible securities of Pediatrix shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Committee, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issue by Pediatrix of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

In the event of the proposed dissolution or liquidation of Pediatrix, the Purchase Period will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Committee. In the event of a proposed sale of all or substantially all of the assets of Pediatrix, or the merger of Pediatrix with or into another corporation, each option under the Plan shall be assumed or an equivalent option shall be assumed or substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Committee determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, that the Participant shall have the right to exercise the option as to all of the optioned stock, including shares as to which the option would not otherwise be exercisable. If the Committee makes an option fully exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Committee shall notify the Participant that the option shall be fully exercisable for a period of thirty (30) days from the date of such notice, and the option will terminate upon the expiration of such period.

The Committee may, if it so determines in the exercise of its sole discretion, also make provision for adjusting the Reserves, as well as the price per share of Common Stock covered by each outstanding option, in the event that Pediatrix effects one or more reorganizations, recapitalization, rights offerings or other increases or reductions of shares of its outstanding Common Stock, and in the event of Pediatrix being consolidated with or merged into any other corporation.

## EXHIBIT 11.1

## STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

	THREE MONTHS ENDED MARCH 31,	
	1996	1995
Income applicable to common stock:		
Net Income.....	\$ 2,612,079	\$ 1,208,538
Less: preferred stock dividends.....	--	(353,178)
Income applicable to common stock.....	\$ 2,612,079	\$ 855,360
	=====	=====
Weighted average number of common equivalents outstanding:		
Primary:		
Weighted average of common shares outstanding.....	13,057,306	6,265,483
Weighted average of dilutive common stock equivalents.....	639,945	777,163
	-----	-----
Weighted average number of common shares and common stock equivalents outstanding for primary earnings per share.....	13,697,251	7,042,646
	=====	=====
Fully diluted:		
Weighted average of common shares outstanding.....	13,057,306	6,265,483
Weighted average of dilutive common stock equivalents.....	668,608	5,348,226
	-----	-----
Weighted average number of common shares and common stock equivalents outstanding for fully diluted earnings per share....	13,725,914	11,613,709
	=====	=====
Income per share:		
Primary.....	\$ .19	\$ .12
	=====	=====
Fully diluted.....	\$ .19	\$ .10
	=====	=====

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AT MARCH 31, 1996 AND THE UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE THREE MONTHS ENDED MARCH 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000  
U.S. DOLLARS

3-MOS	
DEC-31-1996	JAN-01-1996
MAR-31-1996	
1	7,085
26,552	
15,484	
0	
0	
50,791	5,242
0	
77,371	
11,074	735
0	
0	
131	
65,431	
77,371	0
16,127	0
12,242	
(499)	
0	
35	
4,349	
1,737	
2,612	
0	
0	
0	
2,612	
.19	
.19	

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