

PEDIATRIX MEDICAL GROUP INC

Form 11-K

June 27, 2008

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 11-K**

**ANNUAL REPORT**

**PURSUANT TO SECTION 15(d) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**

(Mark One):

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the fiscal year ended December 31, 2007

Or

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-26762

A. Full title of the plan and the address of the plan, if different from that of the issuer named below: **PEDIATRIX MEDICAL GROUP OF PUERTO RICO THRIFT AND PROFIT SHARING PLAN**

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**PEDIATRIX MEDICAL GROUP, INC.**

1301 Concord Terrace

Sunrise, Florida 33323-2825

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**Pediatrix Medical Group of**

**Puerto Rico Thrift and Profit**

**Sharing Plan**

**Report on Audit of Financial Statements**

**And Supplemental Schedule**

**As of and For the Years Ended**

**December 31, 2007 and 2006**

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**Pediatrix Medical Group of Puerto Rico**

**Thrift and Profit Sharing Plan**

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\* Other schedules required by Section 2520.103-10 of the Department of Labor Rules and Regulations for Reporting and Disclosure under the Employment Retirement Income Security Act of 1974 have been omitted because they are not applicable.

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**Report of Independent Registered Certified Public Accounting Firm**

To the Participants and Administrator of

Pediatrix Medical Group of Puerto Rico Thrift and Profit Sharing Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statements of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of Pediatrix Medical Group of Puerto Rico Thrift and Profit Sharing Plan as amended and the restated (the Plan) at December 31, 2007 and 2006, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule H, line 4i Schedule of Assets (Held at End of Year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP  
Tampa, Florida

June 27, 2008

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**Pediatrix Medical Group of Puerto Rico**

**Thrift and Profit Sharing Plan**

**Statements of Net Assets Available for Benefits**

**As of December 31, 2007 and 2006**

|                                       | 2007             | 2006             |
|---------------------------------------|------------------|------------------|
| <b>Assets</b>                         |                  |                  |
| Investments, at fair value            | \$ 4,915,675     | \$ 4,190,784     |
| Receivables                           |                  |                  |
| Employer contributions                | 176,646          | 175,846          |
| Participant contributions             | 293              | 8,216            |
| Dividends                             | 2,005            | 1,569            |
| <b>Total assets</b>                   | <b>5,094,619</b> | <b>4,376,415</b> |
| <br>Net assets available for benefits | <br>\$ 5,094,619 | <br>\$ 4,376,415 |

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

**Table of Contents****Pediatric Medical Group of Puerto Rico****Thrift and Profit Sharing Plan****Statements of Changes in Net Assets Available for Benefits****For the Years Ended December 31, 2007 and 2006**

|   | 2007         | 2006         |
|---|--------------|--------------|
| <b>Additions to net assets attributed to</b>      |              |              |
| Investment income                                 |              |              |
| Interest and dividend income                      | \$ 65,543    | \$ 52,092    |
| Net appreciation in the fair value of investments | 434,320      | 324,666      |
| Net investment income                             | 499,863      | 376,758      |
| <b>Contributions</b>                              |              |              |
| Employer  | 176,646      | 175,846      |
| Participants                                      | 223,356      | 214,068      |
| Total contributions                               | 400,002      | 389,914      |
| Total additions                                   | 899,865      | 766,672      |
| <b>Deductions from net assets attributed to</b>   |              |              |
| Benefits paid to participants                     | 181,661      | 8,265        |
| Total deductions                                  | 181,661      | 8,265        |
| Net increase in net assets available for benefits | 718,204      | 758,407      |
| <b>Net assets available for benefits</b>          |              |              |
| Beginning of year                                 | 4,376,415    | 3,618,008    |
| End of year                                       | \$ 5,094,619 | \$ 4,376,415 |

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

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### **Pediatrix Medical Group of Puerto Rico**

### **Thrift and Profit Sharing Plan**

### **Notes to Financial Statements**

### **December 31, 2007 and 2006**

#### **1. Description of Plan**

Pediatrix Medical Group, Inc. (the Company) sponsors the Pediatrix Medical Group of Puerto Rico Thrift and Profit Sharing Plan (the Plan), which was adopted on January 1, 1993 and restated as amended in October 2001.

The following description of the Plan is provided for general information purposes only. More complete information regarding items such as vesting, benefit provisions and plan termination may be found in the Plan document which is available to all participants upon request.

#### **General**

The Plan is a tax qualified defined contribution plan covering substantially all of the Company's eligible employees and the employees of the professional associations whose operations are consolidated with the Company and who reside in Puerto Rico. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

#### **Eligibility and Entry Data**

An employee becomes eligible to participate in the Plan on the first day of each calendar quarter after having attained age 21.

#### **Contributions**

The Company may, at the discretion of its Board of Directors, contribute for each participant a matching contribution determined annually based on a percentage of the participant's pre-tax contributions. In addition, the Company may also make discretionary profit sharing contributions to the Plan at amounts determined at the end of the Plan year by the Board of Directors.

The maximum pre-tax contributions for the years ended December 31, 2007 and 2006 were \$8,000. In addition to any pre-tax contributions, participants may make after tax contributions, not to exceed 10 percent of the participant's compensation.

#### **Rollovers**

The Plan accepts rollover contributions from other Puerto Rico tax-qualified plans for those participants who choose to invest in the Plan.

#### **Participant Accounts**

Each participant's account is credited with the participant's contribution and an allocation of (a) the Company's discretionary contributions and (b) the Plan's earnings and losses. Allocation of the Plan's earnings or losses in each investment option are made to the individual participant's account based on the ratio of each participant's current account balance in the respective investment option to total Plan participants' account balances in the respective investment option. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.



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**Pediatrix Medical Group of Puerto Rico**

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**Investment Options**

Upon enrollment in the Plan, a participant may direct contributions to the Plan in any of the following investment options at December 31, 2007:

**Fidelity Retirement Money Market Portfolio** Fund seeks to provide a high level of current income as consistent with the preservation of principal and liquidity by investing in U.S. dollar-denominated money market securities and repurchase agreements for those securities. More than 25% of its assets are invested in the financial services industry.

**Fidelity Managed Income Portfolio** Fund seeks preservation of capital while earning interest income by investing in investment contracts offered by major insurance companies and other approved financial institutions and in certain types of fixed income securities.

**Fidelity Ginnie Mae Fund** Fund seeks to provide high current income by investing at least 80% of its assets in Ginnie Maes. The fund may also invest in U.S. Government securities and instruments related to U.S. Government securities.

**Fidelity Investment Grade Bond Fund** Fund seeks to provide a high level of current income by investing in at least 80% of its assets in investment-grade debt securities and in repurchase agreements for those securities.

**Fidelity Puritan Fund** Fund seeks to provide income and capital growth consistent with reasonable risk by investing approximately 60% in stocks and other equity securities, and the remainder in bonds and other debt securities. The fund will invest at least 25% in fixed income senior securities.

**Fidelity Blue Chip Growth Fund** Fund seeks to provide long-term capital growth by investing at least 80% of its assets in a diversified portfolio of common stocks of established domestic and foreign companies considered industry leaders.

**Fidelity Contrafund** Fund seeks to provide capital appreciation by investing in common stocks of domestic and foreign issuers of undervalued companies.

**Fidelity Equity-Income II Fund** Fund seeks to provide reasonable income by investing 80% of its assets in income-producing domestic and foreign equity securities.

**Fidelity Fund** Fund seeks to provide long-term capital growth by investing primarily in U.S. and foreign stocks.

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Fidelity Growth and Income Portfolio Fund seeks to provide a high total return through a combination of current income and capital appreciation by investing primarily in U.S. and foreign stocks with a focus on those that pay current dividends and show potential for capital appreciation.

Fidelity Small Cap Fund Fund seeks to provide long-term growth of capital by investing at least 80% of its assets in small market capitalizations.

Fidelity Value Fund Fund seeks to provide capital appreciation through investing in securities of domestic and foreign companies that possess valuable fixed assets or that are undervalued in the marketplace in relation to assets, earnings, or growth potential.

AIM Dynamics Fund Investor Class (Formerly INVESCO Dynamics Fund) Fund seeks to provide an increase in investment over the long-term through capital growth by investing primarily in common stocks of U.S. companies traded on national securities exchanges and the over-the counter market. The fund may invest up to 25% of its assets in foreign securities.

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Neuberger Berman Genesis Fund Trust Class Fund seeks to provide growth of capital by investing mainly in common stocks of small-cap companies with solid performance histories and management using the value-oriented investment approach.

Spartan U.S. Equity Index Fund Fund seeks to provide capital appreciation by investing at least 80% of its assets in common stocks included in the S&P 500 and lending securities.

Fidelity Overseas Fund Fund seeks to provide long-term growth of capital by primarily investing 80% of its assets in foreign securities.

Fidelity Worldwide Fund Fund seeks to provide capital growth by investing in securities issued anywhere in the world.

Pediatric Stock Fund Fund seeks to provide an increase in value of this investment over the long term by investing in the common stock of the Company as well as in short-term investments to allow for buying and selling without the usual trade settlement period for individual stock transactions.

Fidelity Freedom 2000 Fund Fund seeks to provide high total return by investing approximately 26% in domestic equity funds, 31% in investment grade fixed income funds, 5% in high yield fixed income funds, and 38% in Fidelity short-term mutual funds.

Fidelity Freedom 2005 Fund Fund seeks to provide high total return by investing approximately 39% in domestic equity funds, 9% in international equity funds, 35% in investment grade fixed income funds, 5% in high yield fixed income funds, and 12% in Fidelity short-term mutual funds.

Fidelity Freedom 2010 Fund Fund seeks to provide high total return by investing approximately 40% in domestic equity funds, 10% in international equity funds, 35% in investment grade fixed income funds, 5% in high yield fixed income funds, and 10% in Fidelity short-term mutual funds.

Fidelity Freedom 2015 Fund Fund seeks to provide high total return by investing approximately 46% in domestic equity funds, 11% in international equity funds, 31% in investment grade fixed income funds, 6% in high yield fixed income funds, and 6% in Fidelity short-term mutual funds.

Fidelity Freedom 2020 Fund Fund seeks to provide high total return by investing approximately 55% in domestic equity funds, 14% in international equity funds, 24% in investment grade fixed income funds, and 7% in high yield fixed income funds.

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Fidelity Freedom 2025 Fund Fund seeks to provide high total return by investing approximately 57% in domestic equity funds, 14% in international equity funds, 21% in investment grade fixed income funds, and 8% in high yield fixed income funds.

Fidelity Freedom 2030 Fund Fund seeks to provide high total return by investing approximately 66% in domestic equity funds, 16% in international equity funds, 10% in investment grade fixed income funds, and 8% in high yield fixed income funds.

Fidelity Freedom 2035 Fund Fund seeks to provide high total return by investing approximately 66% in domestic equity funds, 17% in international equity funds, 9% in investment grade fixed income funds, and 8% in high yield fixed income funds.

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Fidelity Freedom 2040 Fund Fund seeks to provide high total return by investing approximately 68% in domestic equity funds, 17% in international equity funds, 5% in investment grade fixed income funds, and 10% in high yield fixed income funds.

Fidelity Freedom Income Fund Fund seeks to provide high current income and, as second objective, capital appreciation by investing in 35% in investment grade fixed income funds, 5% in high yield fixed income funds, 40% in Fidelity short-term mutual funds, and 20% in domestic equity funds.

**Payment of Benefits**

Upon normal retirement, death, disability or termination, participants may elect to receive their vested account balance as a lump-sum distribution; or have their account balance transferred to an individual retirement account or other qualified plan.

**Vesting**

Participants are immediately vested in their contributions plus actual earnings thereon. Vesting in the portion of their accounts related to the Company's contribution plus related earnings is based on years of credited service. A participant is fully vested after three years of credited service as follows:

| <b>Years of Service</b> | <b>Vested Percentage</b> |
|-------------------------|--------------------------|
| Less than 1             | 0%                       |
| 1                       | 30%                      |
| 2                       | 60%                      |
| 3                       | 100%                     |

**Participants Loans**

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of 50 percent of their account balance or \$50,000 reduced by the highest outstanding loan balance in their account during the prior twelve month period. The loans are collateralized by the balance in the participant's account and bear interest at rates ranging between 5.25% and 6.25%, which is determined by the Plan Administrator. Repayments of principal and interest are credited back to the participant's account through payroll deductions on a minimum of a quarterly basis. The term of the loan must not exceed five years, except for qualified home loans, which must not exceed ten years.

**Forfeitures**

Forfeitures of the non-vested portion of participant's account balances related to the Company's contributions may be used to offset future Company contributions. Forfeitures held in the Plan totaled \$12,462 and \$11,139 at December 31, 2007 and 2006, respectively.

**Plan Termination**

While the Company has not expressed any intent to terminate the Plan, it reserves the right at any time to amend, modify or terminate the Plan without the consent of any participant or beneficiary.



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### **Pediatrix Medical Group of Puerto Rico**

### **Thrift and Profit Sharing Plan**

### **Notes to Financial Statements**

### **December 31, 2007 and 2006**

In the event of such termination, the Plan provides that the participants shall become 100 percent vested in their accounts, including all employer contributions.

### **Plan Administration**

The Plan is administered by certain employees of the Company (the Plan Administrator). The Plan's assets were maintained by Banco Popular of Puerto Rico (Banco), the trustee of the Plan, for the years ended December 31, 2007 and 2006.

### **New Accounting Pronouncements**

In September 2006, the FASB issued Statement on Financial Accounting Standards No. 157 (SFAS 157), Fair Value Measurements. SFAS 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value and requires additional disclosures about fair value measurement. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company does not expect the adoption of SFAS 157 to have a material impact on its financial statements.

## **2. Summary of Significant Accounting Policies**

### **Basis of Accounting**

The financial statements of the Plan are prepared under the accrual method of accounting in conformity with generally accepted accounting principles in the United States of America.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclose contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to net assets available for benefits during the reporting period. Actual results could differ from those estimates.

### **Risks and Uncertainties**

The Plan provides for various investment options. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits and the statements of changes in net assets available for benefits.

### **Investment Valuation and Income Recognition**

The fair value of investments held by the Plan has been determined by the trustee based on quoted market values of publicly traded investments.

The investment contracts are presented at fair value on the statement of net assets available for benefits. Investments in fully benefit-responsive investment contracts would be stated at contract value which is equal to principal balance plus accrued interest. The Plan does not hold any investments in fully benefit-responsive investment contracts at December 31, 2007 and 2006.





**Table of Contents****Pediatric Medical Group of Puerto Rico****Thrift and Profit Sharing Plan****Notes to Financial Statements****December 31, 2007 and 2006**

The Plan presents in the statements of changes in net assets available for benefits, the net appreciation in fair value of investments which consists of realized gains or losses and the unrealized appreciation (depreciation) on those investments. All investment transactions are recorded by the Plan as of the trade date. Gains or losses on sale of investments are determined by the specific identification method. Interest income is recorded as earned on an accrual basis. Dividends are recorded based on the ex-dividend date.

**Participant Loans**

Participant loans are recorded at cost, which approximates fair value.

**Administrative Expenses**

All costs incurred in administering the Plan are paid by the Company except for certain broker fees that are paid out of the various investment options.

**3. Investments**

The following presents investments that represent 5 percent or more of the fair value of the Plan's net assets at December 31, 2007 and 2006:

| <b>Description of Investment</b>           | <b>2007</b>  | <b>2006</b> |
|--|--------------|-------------|
| Fidelity Contrafund                        | \$ 1,037,328 | \$ 851,504  |
| Fidelity Blue Chip Growth Fund             | 1,037,223    | 867,653     |
| Fidelity Equity-Income II Fund             | 659,200      | 601,197     |
| Fidelity Growth and Income Portfolio       | 570,805      | 519,266     |
| Fidelity Retirement Money Market Portfolio | 387,219      | *           |
| Pediatric Stock Fund                       | 355,743      | 258,730     |
| Fidelity Puritan Fund                      | 329,396      | 324,283     |

During 2007 and 2006, the Plan's investments (including gains and losses on investments purchased and sold, as well as held during the year) appreciated (depreciated) in fair value as determined by quoted market prices as follows:

|                      | <b>2007</b> | <b>2006</b> |
|----------------------|-------------|-------------|
| Common stocks        | \$ 421,958  | \$ 323,352  |
| Pediatric stock fund | 12,362      | 1,314       |
|                      | \$ 434,320  | \$ 324,666  |

\* Investment did not represent 5% or more of the net assets available for benefits as of the respective year end.



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**Pediatric Medical Group of Puerto Rico**

**Thrift and Profit Sharing Plan**

**Notes to Financial Statements**

**December 31, 2007 and 2006**

**4. Tax Status**

The Puerto Rico Treasury Department has determined and informed the Company by letter dated March 12, 1998, that the Plan and the related trust are designed in accordance with applicable sections entitling exemption from income taxes. The Plan has been amended since receiving the determination letters. However, the Plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable tax requirements. Therefore, they believe that the Plan was qualified and the related trust was tax exempt as of the financial statement date. Accordingly, no provision for federal income taxes has been made.

**5. Party-in-Interest Transactions**

Participants' loans are granted and administered by Banco and, therefore, these loan transactions qualify as party-in-interest. The Pediatric Stock Fund invests in the Company's common stock and, therefore, these investment transactions qualify as party-in-interest. All fees and expenses of the Plan for legal, accounting, recordkeeping and other administrative services are paid by the Company.

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December 31, 2007

|     | (b) Identity of issue, borrower,  | (c) Description of investment including maturity              | (d) Cost ** | (e) Current Value |
|-----|-----------------------------------|---|-------------|-------------------|
| (a) | lessor or similar party           | date, rate of interest, collateral, par or maturity value     |             |                   |
| *   | Fidelity Management Trust Company | Fidelity Blue Chip Growth Fund: 23,541.149 shares             |             | \$1,037,223       |
| *   | Fidelity Management Trust Company | Fidelity Contrafund: 14,188.597 shares                        |             | 1,037,328         |
| *   | Fidelity Management Trust Company | Fidelity Growth and Income Portfolio: 20,923.939 shares       |             | 570,805           |
| *   | Fidelity Management Trust Company | Fidelity Equity-Income II Fund: 28,685.819 shares             |             | 659,200           |
| *   | Pediatrix Medical Group, Inc.     | Pediatrix Stock Fund: 5,220 shares                            |             | 355,743           |
| *   | Fidelity Management Trust Company | Fidelity Puritan Fund: 17,309.310 shares                      |             | 329,396           |
| *   | Participants Loans                | Loans to participants, 5.25% - 6.25%, various maturities      |             | 41,874            |
| *   | Fidelity Management Trust Company | Fidelity Retirement Money Market Portfolio: 387,219.35 shares |             | 387,219           |
| *   | Fidelity Management Trust Company | Fidelity Investment Grade Bond Fund: 15,509.011 shares        |             | 111,510           |
| *   | Fidelity Management Trust Company | Fidelity Ginnie Mae Fund: 6,794.947 shares                    |             | 74,269            |
| *   | Fidelity Management Trust Company | Fidelity Overseas Fund: 2,908.719 shares                      |             | 140,753           |
| *   | Fidelity Management Trust Company | Fidelity Fund: 2,077.154 shares                               |             | 82,775            |
| *   | Fidelity Management Trust Company | Fidelity Worldwide Fund: 523.255 shares                       |             | 11,182            |
| *   | Fidelity Management Trust Company | Spartan U.S. Equity Index Fund: 320.936 shares                |             | 16,657            |
|     | INVESCO Funds Group, Inc.         | Aim Dynamics Fund - Investor Class: 1,101.847 shares          |             | 26,268            |
| *   | Fidelity Management Trust Company | Fidelity Freedom 2000 Fund: 60.425 shares                     |             | 747               |
| *   | Fidelity Management Trust Company | Fidelity Freedom 2020 Fund: 52.774 shares                     |             | 834               |
| *   | Fidelity Management Trust Company | Fidelity Freedom 2030 Fund: 51.90 shares                      |             | 857               |
| *   | Fidelity Management Trust Company | Fidelity Freedom 2040 Fund: 868.355 shares                    |             | 8,449             |
|     | Neuberger Berman Management, Inc. | Neuberger Berman Genesis Fund - Trust Class: 458.317 shares   |             | 22,586            |
|     |                                   |   |             | \$4,915,675       |

\* Represents a party-in-interest.

\*\* Cost omitted for participant-directed investments.

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SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the Plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Pediatrix Medical Group of Puerto Rico

Thrift and Profit Sharing Plan

Date: June 27, 2008

By: /s/ Karl B. Wagner  
Name: Karl B. Wagner  
Title: Chief Financial Officer

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EXHIBIT INDEX

| <b>Exhibit No.</b> | <b>Document Description</b>           |
|--------------------|---------------------------------------|
| 23.1*              | Consent of PricewaterhouseCoopers LLP |

\* Filed herewith.