

MEDNAX, INC.  
Form DEF 14A  
March 26, 2010  
Table of Contents

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

**Washington D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under Rule 14a-12

**MEDNAX, INC.**

(Name of Registrant as Specified In Its Charter)

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**Table of Contents**

1301 Concord Terrace  
Sunrise, Florida 33323-2825  
(954) 384-0175

March 26, 2010

Dear MEDNAX Shareholder:

You are cordially invited to attend the 2010 Annual Shareholders Meeting of MEDNAX, Inc. ( MEDNAX ) on Thursday, May 6, 2010, beginning at 10:00 a.m., EDT, at the Hyatt Regency Bonaventure, 250 Racquet Club Road, Weston, Florida 33326.

At the annual meeting, we will ask you to vote on the election of Roger J. Medel, M.D., Cesar L. Alvarez, Waldemar A. Carlo, M.D., Michael B. Fernandez, Roger K. Freeman, M.D., Paul G. Gabos, Dany Garcia, Pascal J. Goldschmidt, M.D., Manuel Kadre, Donna E. Shalala, Ph.D. and Enrique J. Sosa, Ph.D. to MEDNAX s Board of Directors, to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered certified public accounting firm for the 2010 fiscal year and to consider and act upon any other business properly brought before the meeting. Please vote on all the matters described in our Proxy Statement. Your Board of Directors unanimously recommends a vote FOR the election of each of the 11 nominees for Director stated above, and FOR ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered certified public accounting firm for the 2010 fiscal year.

Under the rules of the Securities and Exchange Commission, we are providing access to our proxy materials over the Internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials (the E-Proxy Notice ) on or about March 26, 2010, to MEDNAX s shareholders of record on March 9, 2010. The E-Proxy Notice contains instructions for your use of this process, including how to access our Proxy Statement and Annual Report and how to vote online. In addition, the E-Proxy Notice contains instructions on how you may (i) receive a paper copy of the Proxy Statement and Annual Report or (ii) elect to receive your Proxy Statement and Annual Report over the Internet.

Whether or not you plan to attend in person, it is important that your shares be represented and voted at the annual meeting. You may vote your shares over the Internet as described in the E-Proxy Notice. As an alternative, if you received a paper copy of the proxy card by mail, please mark, sign, date and promptly return the card in the self-addressed stamped envelope provided. You may also vote by telephone as described in your proxy card. Voting by telephone, over the Internet or by mailing a proxy card will not limit your right to attend the annual meeting and vote your shares in person.

We appreciate your continued support of our Company.

Sincerely,

Roger J. Medel, M.D.

*Chief Executive Officer*

**Table of Contents**

**MEDNAX, INC.**

**NOTICE OF 2010 ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON MAY 6, 2010**

To the Shareholders of MEDNAX, Inc.:

NOTICE IS HEREBY GIVEN that the 2010 Annual Shareholders Meeting of MEDNAX, Inc., a Florida corporation ( MEDNAX ), will be held at 10:00 a.m., EDT, on Thursday, May 6, 2010, at the Hyatt Regency Bonaventure, 250 Racquet Club Road, Weston, Florida 33326, for the following purposes, as more fully described in our Proxy Statement:

to elect Roger J. Medel, M.D., Cesar L. Alvarez, Waldemar A. Carlo, M.D., Michael B. Fernandez, Roger K. Freeman, M.D., Paul G. Gabos, Dany Garcia, Pascal J. Goldschmidt, M.D., Manuel Kadre, Donna E. Shalala, Ph.D. and Enrique J. Sosa, Ph.D. as Directors, each for a term expiring at the next annual meeting or until his or her successor has been duly elected and qualified;

to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered certified public accounting firm for the 2010 fiscal year; and

to consider and act upon such other business as may properly come before the annual meeting.

The Board of Directors of MEDNAX has fixed the close of business on March 9, 2010, as the record date for determining those shareholders entitled to notice of, to attend and to vote at the meeting and any postponement or adjournment thereof.

Whether or not you plan to attend, please vote your shares over the Internet, as described in the Notice of Internet Availability of Proxy Materials (the E-Proxy Notice ). As an alternative, if you received a paper copy of the proxy card by mail, please mark, sign, date and promptly return the proxy card in the self-addressed stamped envelope provided. You may also vote by telephone as described in your proxy card. Shareholders who vote over the Internet, following the instructions provided in the E-Proxy Notice, who return proxy cards by mail or vote by telephone prior to the meeting may nevertheless attend the meeting, revoke their proxies and vote their shares in person.

By Order of the Board of Directors,

Thomas W. Hawkins

Senior Vice President,

General Counsel and Secretary

Sunrise, Florida

March 26, 2010

**Table of Contents**

**TABLE OF CONTENTS**

|   | <b>Page</b> |
|---|-------------|
| <u>QUESTIONS AND ANSWERS ABOUT OUR ANNUAL MEETING</u>                                 | 1           |
| <u>What Is the Date, Time and Place of the Annual Meeting?</u>                        | 1           |
| <u>What Is the Purpose of the Annual Meeting?</u>                                     | 1           |
| <u>Who Is Entitled to Vote at the Annual Meeting?</u>                                 | 2           |
| <u>What Are the Voting Rights of MEDNAX's Shareholders?</u>                           | 2           |
| <u>What Constitutes a Quorum?</u>   | 2           |
| <u>What Are Broker Non-Votes ?</u>  | 2           |
| <u>How Are Abstentions and Broker Non-Votes Treated?</u>                              | 2           |
| <u>Will My Shares Be Voted if I Do Not Provide My Proxy?</u>                          | 2           |
| <u>How Do I Vote?</u>   | 2           |
| <u>What Vote Is Required for the Proposals?</u>                                       | 3           |
| <u>How Does the Board of Directors Recommend I Vote on the Proposals?</u>             | 3           |
| <u>How Will My Proxy Holders Vote?</u>  | 3           |
| <u>Can I Change My Vote After I Have Voted?</u>                                       | 4           |
| <u>Who Pays for the Preparation of the Proxy Statement?</u>                           | 4           |
| <u>PROPOSAL 1: ELECTION OF MEDNAX'S DIRECTORS</u>                                     | 4           |
| <u>GOVERNANCE AND RELATED MATTERS</u>   | 5           |
| <u>Questions and Answers About Our Corporate Governance Practices</u>                 | 5           |
| <u>What Committees Have Our Board of Directors Established?</u>                       | 5           |
| <u>How Many Times Did Our Board of Directors Meet During 2009?</u>                    | 6           |
| <u>Are a Majority of Our Directors Independent?</u>                                   | 6           |
| <u>Who Is the Chairman of the Board or Presiding Director ?</u>                       | 6           |
| <u>What Role Does the Board of Directors Serve in Risk Oversight for the Company?</u> | 6           |
| <u>How Can Shareholders Communicate with the Board of Directors?</u>                  | 7           |
| <u>Has MEDNAX Adopted a Code of Conduct?</u>  | 7           |
| <u>Report of the Audit Committee</u>  | 7           |
| <u>Report of the Compensation Committee</u>   | 9           |
| <u>DIRECTORS AND EXECUTIVE OFFICERS</u>   | 10          |
| <u>MEDNAX's Directors and Executive Officers</u>                                      | 10          |
| <u>Committees of the Board of Directors</u>   | 13          |
| <u>Audit Committee</u>  | 13          |
| <u>Compensation Committee</u>   | 14          |
| <u>Nominating and Corporate Governance Committee</u>                                  | 14          |
| <u>Risk Considerations in Our Compensation Programs</u>                               | 15          |
| <u>Certain Relationships and Related Person Transactions</u>                          | 15          |
| <u>Review and Approval of Related Person Transactions</u>                             | 15          |
| <u>Transactions with Related Persons</u>  | 16          |
| <u>Compensation Committee Interlocks and Insider Participation</u>                    | 16          |
| <u>EXECUTIVE COMPENSATION</u>   | 17          |
| <u>Compensation Discussion and Analysis</u>   | 17          |
| <u>Executive Compensation Philosophy</u>  | 17          |
| <u>Executive Compensation Administration</u>  | 17          |
| <u>Base Salary</u>  | 19          |
| <u>Annual Bonuses</u>   | 20          |
| <u>Equity-Based Awards</u>  | 21          |

**Table of Contents**

|  | <b>Page</b> |
|--|-------------|
| <u>Restricted Stock Awards</u>   | 21          |
| <u>Stock Option Awards</u>   | 23          |
| <u>Equity Grant Practices</u>  | 24          |
| <u>Retirement and Deferred Compensation Plans</u>                          | 25          |
| <u>Other Benefits and Perquisites</u>                                      | 25          |
| <u>Termination of Employment and Change in Control Agreements</u>          | 26          |
| <u>Summary Compensation Table</u>  | 26          |
| <u>Grants of Plan-Based Awards in 2009</u>                                 | 28          |
| <u>Outstanding Equity Awards at 2009 Fiscal Year-End</u>                   | 29          |
| <u>Option Exercises and Stock Vested in Fiscal Year 2009</u>               | 30          |
| <u>Potential Payments upon Termination or Change in Control</u>            | 30          |
| <u>DIRECTOR COMPENSATION</u>   | 37          |
| <u>SHARE OWNERSHIP INFORMATION</u>   | 38          |
| <u>Section 16(a) Beneficial Ownership Reporting Compliance</u>             | 38          |
| <u>Security Ownership of Certain Beneficial Owners and Management</u>      | 38          |
| <u>INDEPENDENT AUDITORS</u>  | 40          |
| <u>Independent Auditors</u>  | 40          |
| <u>Fees Paid to Independent Auditors</u>                                   | 40          |
| <u>Audit Fees</u>  | 40          |
| <u>Audit Related Fees</u>  | 40          |
| <u>Tax Fees</u>  | 40          |
| <u>All Other Fees</u>  | 40          |
| <u>Pre-Approval Policies and Procedures</u>                                | 40          |
| <u>PROPOSAL 2: RATIFICATION OF THE APPOINTMENT OF INDEPENDENT AUDITORS</u> | 41          |
| <u>OTHER BUSINESS</u>  | 42          |
| <u>AVAILABILITY OF ANNUAL REPORT ON FORM 10-K</u>                          | 42          |
| <u>INFORMATION CONCERNING SHAREHOLDER PROPOSALS</u>                        | 42          |

---

**Table of Contents**

**MEDNAX, INC.**

**1301 Concord Terrace**

**Sunrise, Florida 33323-2825**

**PROXY STATEMENT**

We are furnishing this Proxy Statement and related materials to MEDNAX's shareholders as part of the solicitation of proxies by MEDNAX's Board of Directors for use at MEDNAX's 2010 Annual Shareholders Meeting and at any postponement or adjournment of the meeting. As used in this Proxy Statement, unless the context otherwise requires, the terms MEDNAX, we, us, our and the Company refer to the parent company MEDNAX, Inc., a Florida corporation, and the consolidated subsidiaries through which its businesses are actually conducted (collectively MEDNAX Subsidiaries).

On December 31, 2008, Pediatrix Medical Group, Inc., a Florida corporation (Pediatrix) and MEDNAX completed a holding company formation transaction that established MEDNAX as the parent company of Pediatrix, now known as MEDNAX Services, Inc. Throughout this Proxy Statement, when we refer to MEDNAX or to the Company in reference to activities that occurred prior to the reorganization on December 31, 2008, we are referring to Pediatrix, and when we refer to the Company in reference to activities occurring after the reorganization, we are referring to MEDNAX, except to the extent the context otherwise indicates. As a result of the reorganization, the common stock of MEDNAX replaced the common stock of Pediatrix. Additionally, the Board of Directors and Executive Officers for Pediatrix became the Board of Directors and Executive Officers for MEDNAX, and the compensation policies of Pediatrix became the compensation policies of MEDNAX.

Under the rules and regulations of the Securities and Exchange Commission, we are furnishing our proxy materials to our shareholders over the Internet and providing a Notice of Internet Availability of Proxy Materials (the E-Proxy Notice) by mail instead of mailing a printed copy of our proxy materials, which include our Proxy Statement and Annual Report, to all MEDNAX shareholders. The E-Proxy Notice will instruct you on how you may access and review all of the important information contained in the proxy materials. The E-Proxy Notice also instructs you how you may submit your proxy via the Internet. You will not receive a printed copy of the proxy materials unless you request to receive these materials in hard copy by following the instructions provided in the E-Proxy Notice.

We are mailing the E-Proxy Notice on or about March 26, 2010, to MEDNAX's shareholders of record on March 9, 2010.

**QUESTIONS AND ANSWERS ABOUT OUR ANNUAL MEETING**

**What Is the Date, Time and Place of the Annual Meeting?**

MEDNAX's 2010 Annual Shareholders Meeting will be held on Thursday, May 6, 2010, beginning at 10:00 a.m., EDT, at the Hyatt Regency Bonaventure, 250 Racquet Club Road, Weston, Florida 33326.

**What Is the Purpose of the Annual Meeting?**

At the annual meeting, MEDNAX's shareholders will be asked to:

elect 11 Directors, each for a term expiring at the next annual meeting or until his or her successor has been duly elected and qualified;

ratify the appointment of PricewaterhouseCoopers LLP as our independent registered certified public accounting firm for the 2010 fiscal year; and

consider and act upon such other business as may properly come before the meeting.





## **Table of Contents**

### **Who Is Entitled to Vote at the Annual Meeting?**

Only holders of record of our common stock at the close of business on March 9, 2010, the record date for the meeting, are entitled to notice of, to attend and to vote at the annual meeting, or any postponements or adjournments of the meeting. At the close of business on the record date, 47,031,407 shares of our common stock were issued and outstanding and were held by approximately 249 holders of record.

### **What Are the Voting Rights of MEDNAX's Shareholders?**

MEDNAX's shareholders have one vote per share of MEDNAX common stock owned on the record date for each matter properly presented at the annual meeting. For example, if you owned 100 shares of our common stock on the close of business on March 9, 2010, you can cast 100 votes for each matter properly presented at the annual meeting.

### **What Constitutes a Quorum?**

A quorum will be present at the meeting if holders of a majority of the issued and outstanding shares of our common stock on the record date are represented at the meeting in person or by proxy. If a quorum is not present at the meeting, MEDNAX expects to postpone or adjourn the meeting to solicit additional proxies. Abstentions, including broker non-votes (as described below), will be counted as shares present and entitled to vote for the purposes of determining the presence or absence of a quorum.

### **What Are Broker Non-Votes ?**

Broker non-votes occur when shares held by a brokerage firm are not voted with respect to a proposal because the firm has not received voting instructions from the shareholder and the firm does not have the authority to vote the shares at its discretion. Under the rules of the New York Stock Exchange, brokerage firms may have the authority to vote their customers' shares on certain routine matters for which they do not receive voting instructions, including the ratification of the appointment of independent auditors. The election of directors is considered a non-routine matter under the New York Stock Exchange rules. In addition, other matters may properly be brought before the meeting that may be considered non-routine under the applicable New York Stock Exchange rules. Shares held by a brokerage firm will not be voted on such non-routine matters by a brokerage firm unless it has received voting instructions from the shareholder and, accordingly, any such shares will be broker non-votes.

### **How Are Abstentions and Broker Non-Votes Treated?**

Abstentions and broker non-votes are counted as present for purposes of determining the presence of a quorum. Abstentions and broker non-votes will not be counted as votes cast either in favor of or against the election of the nominees for Director or the ratification of the appointment of our independent registered certified public accounting firm.

### **Will My Shares Be Voted if I Do Not Provide My Proxy?**

If your shares are held in the name of a brokerage firm, they will not be voted by the brokerage firm except as described above if you do not give the brokerage firm specific voting instructions. If you are a registered shareholder and hold your shares directly in your own name, your shares will not be voted unless you provide a proxy or fill out a written ballot in person at the meeting.

### **How Do I Vote?**

You can vote in any of the following ways:

To vote via the Internet:

Follow the instructions on your proxy card and the E-Proxy Notice; and

**Table of Contents**

Vote your shares as instructed on your proxy card and E-Proxy Notice.

To vote by telephone if you are a registered shareholder who received a paper proxy card:

Dial 1-800-690-6903 from any touch-tone telephone at any time up until 11:59 P.M. EDT on May 5, 2010; and

Have your proxy card in hand and follow the instructions given to you on the line.

To vote by mail if you are a registered shareholder who received a paper proxy card:

Mark, sign and date your proxy card; and

Return it in the envelope provided.

To vote if you hold your shares in street name, follow the instructions of your bank or broker or vote in person as described below.

To vote in person if you hold your shares in street name :

Attend our annual meeting;

Bring valid photo identification; and

Obtain a legal proxy from your bank or broker to vote the shares that are held for your benefit, attach it to your completed proxy card and deliver it in person.

To vote in person if you are a registered shareholder:

Attend our annual meeting;

Bring valid photo identification; and

Deliver your completed proxy card or ballot in person.

**What Vote Is Required for the Proposals?**

Assuming that a quorum is present at the annual meeting, Director nominees receiving the greatest number of affirmative votes from holders of our common stock will be elected as Directors of MEDNAX.

Assuming that a quorum is present, ratification of the appointment of our independent registered certified public accounting firm requires a majority of the votes cast on the proposal at the annual meeting.

**How Does the Board of Directors Recommend I Vote on the Proposals?**

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The Board of Directors recommends that you vote:

FOR the election of each of the 11 nominees for Director named in this Proxy Statement; and

FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered certified public accounting firm for the 2010 fiscal year.

### **How Will My Proxy Holders Vote?**

The enclosed proxy designates Roger J. Medel, M.D., our Chief Executive Officer, Thomas W. Hawkins, our Senior Vice President, General Counsel and Secretary, and Vivian Lopez-Blanco, our Chief Financial Officer and Treasurer, each with full power of substitution, to hold your proxy and vote your shares. Dr. Medel,

## **Table of Contents**

Mr. Hawkins and Ms. Lopez-Blanco will vote all shares of our common stock represented by proxies properly submitted via telephone or the Internet or properly executed proxies received in time for the annual meeting in the manner specified by the holders of those shares. Dr. Medel, Mr. Hawkins and Ms. Lopez-Blanco intend to vote all shares of our common stock represented by proxies properly submitted via telephone, or the Internet, or that are properly executed by the record holder but otherwise do not contain voting instructions, as follows:

FOR the election of each of the 11 nominees for Director named in this Proxy Statement;

FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered certified public accounting firm for the 2010 fiscal year; and

in accordance with the recommendation of MEDNAX's Board of Directors, FOR or AGAINST all other matters as may properly come before the annual meeting.

### **Can I Change My Vote After I Have Voted?**

Voting by telephone, over the Internet or by mailing a proxy card does not preclude a shareholder from voting in person at the meeting. A shareholder may revoke a proxy, whether submitted via telephone, the Internet or mailed, at any time prior to its exercise by filing with MEDNAX's Secretary a duly executed revocation of proxy, by properly submitting, either by telephone, mail or Internet, a proxy to MEDNAX's Secretary bearing a later date or by appearing at the meeting and voting in person. Attendance at the meeting will not itself constitute revocation of a proxy.

### **Who Pays for the Preparation of the Proxy Statement?**

MEDNAX will bear the cost of the solicitation of proxies from its shareholders, including preparing, printing and mailing this Proxy Statement, should you request a printed copy of the proxy materials, and the E-Proxy Notice. In addition to solicitations by mail, MEDNAX's Directors, officers and employees, and those of its subsidiaries and affiliates, may solicit proxies from shareholders by telephone or other electronic means or in person but will receive no additional compensation for soliciting such proxies. MEDNAX will cause banks and brokerage firms and other custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of our common stock held of record by such banks, brokerage firms, custodians, nominees and fiduciaries. MEDNAX will reimburse such banks, brokerage firms, custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses in doing so.

### **PROPOSAL 1: ELECTION OF MEDNAX'S DIRECTORS**

MEDNAX's Articles of Incorporation and Bylaws, each as amended and restated, provide that the number of Directors constituting MEDNAX's Board of Directors will be determined from time to time by resolution adopted by MEDNAX's Board of Directors. MEDNAX's Board of Directors currently consists of 10 members and by action of the Board of Directors will be expanded to 11 members as discussed below.

Upon the recommendation of the Nominating and Corporate Governance Committee, the nominees for Director to be elected at the annual meeting in 2010 by the holders of our common stock are as follows:

Roger J. Medel, M.D., who has served as a Director since 1979;

Cesar L. Alvarez, who has served as Chairman of the Board of Directors since May 2004 and as a Director since March 1997;

Waldemar A. Carlo, M.D., who has served as a Director since June 1999;

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Michael B. Fernandez, who has served as a Director since October 1995;

Roger K. Freeman, M.D., who has served as a Director since May 2002;

Paul G. Gabos, who has served as a Director since November 2002;

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**Table of Contents**

Dany Garcia, who has served as a Director since November 2008;

Pascal J. Goldschmidt, M.D., who has served as a Director since March 2006;

Manuel Kadre, who has served as a Director since May 2007;

Donna E. Shalala, Ph.D., who has been nominated for initial election as a Director; and

Enrique J. Sosa, Ph.D., who has served as a Director since May 2004.

Ms. Shalala was initially identified as a potential nominee by our Chief Executive Officer and recommended for nomination by the Nominating and Corporate Governance Committee.

Please see below under "Directors and Executive Officers" for the biographies of these nominees for Director.

Each Director elected will serve for a term expiring at MEDNAX's 2011 Annual Meeting of Shareholders, which is expected to be held in May 2011, or until his or her successor has been duly elected and qualified.

MEDNAX's Board of Directors has no reason to believe that any nominee will refuse to act or be unable to accept election; however, in the event that a nominee for a directorship is unable to accept election or if any other unforeseen contingencies should arise, proxies will be voted for the remaining nominees and for such other person as may be designated by MEDNAX's Board of Directors, unless the proxies provide otherwise.

If a quorum is present at the annual meeting, the 11 nominees receiving the highest number of votes "FOR" election will be elected to the Board of Directors of MEDNAX. Proxies will be voted "FOR" all such nominees absent contrary instructions.

***MEDNAX's Board of Directors recommends a vote "FOR" the election of each of the 11 nominees for Director.***

**GOVERNANCE AND RELATED MATTERS**

Our business, property and affairs are managed under the direction of our Board of Directors, except with respect to those matters reserved for our shareholders. Our Board of Directors establishes our overall corporate policies, reviews the performance of our senior management in executing our business strategy and managing our day-to-day operations and acts as an advisor to our senior management. Our Board of Directors' mission is to further the long-term interests of our shareholders. Members of the Board of Directors are kept informed of MEDNAX's business through discussions with MEDNAX's management, primarily at meetings of the Board of Directors and its committees, and through reports and analyses presented to them. Significant communications between our Directors and senior management occur apart from such meetings.

**Questions and Answers About Our Corporate Governance Practices**

**What Committees Have Our Board of Directors Established?**

The standing committees of MEDNAX's Board of Directors are the Executive Committee, the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Medical Science and Technology Committee. Copies of the charters for these committees, as well as our corporate governance principles, are available on our Website at [www.mednax.com](http://www.mednax.com). Our Internet Website and the information contained therein, other than material expressly referred to in this Proxy Statement, or connected thereto are not incorporated into this Proxy Statement. A copy of our committee charters and corporate governance principles are also available upon request from MEDNAX's Secretary at 1301 Concord Terrace, Sunrise, Florida 33323.

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## **Table of Contents**

### **How Many Times Did Our Board of Directors Meet During 2009?**

During 2009, MEDNAX's Board of Directors held 10 meetings and took various actions by unanimous written consent. Committees of the Board of Directors held a combined total of 21 meetings and also took actions by unanimous written consent. Each incumbent Director attended at least 75% of the total number of meetings of MEDNAX's Board of Directors and its committees held during 2009 during the period he or she was a member thereof. Although MEDNAX has no formal policy with respect to its Directors' attendance at MEDNAX's annual shareholders' meetings, in 2009 all of our incumbent Directors attended the annual shareholders' meeting.

### **Are a Majority of Our Directors Independent?**

Our Board of Directors has reviewed information about each of our non-employee Directors and made the determination that we have a majority of independent Directors on our Board of Directors. In arriving at this conclusion, our Board of Directors made the affirmative determination that each of Drs. Carlo and Freeman, Ms. Garcia and Messrs. Alvarez, Fernandez, Gabos, Sosa and Kadre meet the Board of Directors previously adopted categorical standards for determining independence in accordance with the New York Stock Exchange's corporate governance rules. In making this determination, the Board of Directors considered transactions and relationships between each Director or any member of his or her immediate family and MEDNAX and its subsidiaries and affiliates. These transactions consisted of the payment of travel and entertainment expenses for the spouses of our Directors in connection with our Board of Directors' annual board retreat and meetings and those transactions reported below under Certain Relationships and Related Party Transactions Transactions with Related Persons. Our Board of Directors also considered the relationships reported below under Certain Relationships and Related Party Transactions Compensation Committee Interlocks and Insider Participation. Our Board of Directors determined that each of these transactions and relationships was within the New York Stock Exchange standards and our categorical standards and that none of the transactions or relationships affected the independence of the Director involved. Our adopted categorical standards for determining independence in accordance with the New York Stock Exchange's corporate governance rules are contained in our corporate governance principles, a copy of which is available on our Website at [www.mednax.com](http://www.mednax.com).

### **Who Is the Chairman of the Board or Presiding Director ?**

To assist the Board of Directors in fulfilling its obligations, following each annual meeting of the shareholders, MEDNAX's Board of Directors designates a non-management Director as Chairman of the Board or, alternatively, as Presiding Director. MEDNAX separates the roles of Chief Executive Officer and Chairman of the Board or Presiding Director in recognition of the differences between the two roles. The Chief Executive Officer is responsible for determining the strategic direction for the Company and the day-to-day leadership and performance of the Company. The principal responsibility of the Chairman of the Board or Presiding Director is to serve as chief administrative liaison between independent Directors and MEDNAX management and to monitor implementation of Board of Directors' directives and actions. At least once a year, the Chairman of the Board or Presiding Director also presides over meetings of our independent Directors. Following our 2009 annual meeting of shareholders, our Board of Directors appointed Mr. Alvarez to serve as Chairman of the Board.

### **What Role Does the Board of Directors Serve in Risk Oversight for the Company?**

The Board of Directors provides oversight of the Company's risk exposure by receiving periodic reports from senior management regarding matters relating to financial, operational, regulatory, legal and strategic risks and mitigation strategies for such risks. In addition, as reflected in the Audit Committee Charter, the Board of Directors has delegated to the Audit Committee responsibility to oversee, discuss and evaluate the Company's policies and guidelines with respect to risk assessment and risk management, including internal control over financial reporting. As appropriate, the Audit Committee provides reports to and receives direction from the full Board of Directors regarding the Company's risk management policies and guidelines, as well as the Audit Committee's risk oversight activities.



## **Table of Contents**

### **How Can Shareholders Communicate with the Board of Directors?**

Anyone who has a concern about MEDNAX's conduct, including accounting, internal accounting controls or audit matters, may communicate directly with our Chairman of the Board of Directors (or Presiding Director), our non-management Directors, the Chairman of the Audit Committee or the Audit Committee. Such communications may be confidential or anonymous, and may be submitted in writing to the Chief Compliance Officer, MEDNAX, Inc., 1301 Concord Terrace, Sunrise, Florida 33323, or reported by phone at 877-835-5764. All such concerns will be forwarded to the appropriate Directors for their review, and will be simultaneously reviewed and addressed by the Company's General Counsel or Chief Compliance Officer in the same way that other concerns are addressed by us. MEDNAX's Code of Conduct, which is discussed below, prohibits any employee from retaliating or taking any adverse action against anyone for raising or helping to resolve an integrity concern.

### **Has MEDNAX Adopted a Code of Conduct?**

MEDNAX has adopted a Code of Conduct that applies to all Directors, officers, employees and independent contractors of MEDNAX and its affiliated medical practices. MEDNAX intends to disclose any amendments to, or waivers from, any provision of the Code of Conduct that applies to any of MEDNAX's executive officers or Directors by posting such information on our Website at [www.mednax.com](http://www.mednax.com).

MEDNAX has also adopted a Code of Professional Conduct – Finance that applies to all employees with access to, and responsibility for, matters of finance and financial management, including MEDNAX's Chief Executive Officer and Chief Financial Officer and Treasurer. MEDNAX intends to disclose any amendments to, or waivers from, any provision of the Code of Conduct that applies to any of MEDNAX's Chief Executive Officer, Chief Financial Officer and Treasurer, principal accounting officer or controller or persons performing similar functions by posting such information on our Website at [www.mednax.com](http://www.mednax.com).

Copies of our Code of Conduct and the Code of Professional Conduct – Finance are available on our Website at [www.mednax.com](http://www.mednax.com) and upon request from MEDNAX's Secretary at 1301 Concord Terrace, Sunrise, Florida 33323.

### **Report of the Audit Committee**

*The following report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any of MEDNAX's filings under the Securities Act of 1933, as amended (the Securities Act), or the Securities Exchange Act of 1934, as amended (the Exchange Act), except to the extent that we specifically incorporate such report by reference.*

We act under a written charter that has been adopted by MEDNAX's Board of Directors. While we have the responsibilities set forth in this charter, it is not our duty to plan or conduct audits or to determine that MEDNAX's financial statements are complete, accurate or in compliance with generally accepted accounting principles. This is the responsibility of MEDNAX's management and independent auditors.

Our primary function is to assist the Board of Directors in their evaluation and oversight of the integrity of MEDNAX's financial statements and internal control over financial reporting, the qualifications and independence of MEDNAX's independent auditors and the performance of MEDNAX's audit functions. In addition, while we are also responsible for assisting the Board of Directors in their evaluation and oversight of MEDNAX's compliance with applicable laws and regulations, it is not our duty to assure compliance with such laws and regulations or MEDNAX's Compliance Plan and related policies. We are also responsible for overseeing, discussing and evaluating MEDNAX's guidelines, policies and processes with respect to risk assessment and risk management and the steps management has taken to monitor and control risk exposure, and we advise the Board of Directors with respect to such matters, as appropriate.

**Table of Contents**

We also oversee MEDNAX's auditing, accounting and financial reporting processes generally. Management is responsible for MEDNAX's financial statements and the financial reporting process, including the system of internal controls. We also review the preparation by management of MEDNAX's quarterly and annual financial statements. MEDNAX's independent auditors, who are accountable to us, are responsible for expressing an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of MEDNAX in conformity with accounting principles generally accepted in the United States. MEDNAX's independent auditors are also responsible for auditing and reporting on the effective operation of MEDNAX's internal control over financial reporting. We are responsible for retaining MEDNAX's independent auditors, and maintain sole responsibility for their compensation, oversight and termination. We are also responsible for pre-approving all non-audit services to be provided by the independent auditors, and on an annual basis discussing with the independent auditors all significant relationships they have with MEDNAX to determine their independence.

In fulfilling our oversight role, we met and held discussions with MEDNAX's management and independent auditors. Management advised us that MEDNAX's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and we reviewed and discussed the consolidated financial statements for the fiscal year ended December 31, 2009. In addition, we reviewed and discussed the Management's Discussion and Analysis of Financial Condition and Results of Operations section of MEDNAX's periodic reports, key accounting and reporting issues and the scope, adequacy and assessments of MEDNAX's internal controls and disclosure controls and procedures with management and MEDNAX's independent auditors. We discussed privately with the independent auditors matters deemed significant by the independent auditors, including those matters required to be discussed pursuant to U.S. Auditing Standards No. 380 (Communication with Audit Committees), as adopted by the Public Company Accounting Oversight Board.

The independent auditors also provided us with the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board, regarding the independent accountant's communications with the Audit Committee concerning independence, and we discussed with the independent auditors matters relating to their independence. We also reviewed a report by the independent auditors describing the firm's internal quality-control procedures and any material issues raised in the most recent internal-quality control review or external peer review or inspection performed by the Public Company Accounting Oversight Board.

Based on our review with management and the independent auditors of MEDNAX's audited consolidated financial statements and internal controls over financial reporting and the independent auditors' report on such financial statements and their evaluation of MEDNAX's internal controls over financial reporting, and based on the discussions and written disclosures described above and our business judgment, we recommended to the Board of Directors that the Company's audited consolidated financial statements for the fiscal year ended December 31, 2009, be included in MEDNAX's Annual Report on Form 10-K for the year ended December 31, 2009, for filing with the Securities and Exchange Commission.

**Submitted by the Audit Committee of the Board of Directors.**

Paul G. Gabos

Manuel Kadre

Enrique J. Sosa, Ph.D.

**Table of Contents**

**Report of the Compensation Committee**

*The following report of the Compensation Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any of MEDNAX's filings under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate such report by reference.*

In fulfilling our role, we met and held discussions with MEDNAX's management and reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement on Schedule 14A. Based on the review and discussions with management and our business judgment, we recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement on Schedule 14A for filing with the Securities and Exchange Commission.

**Submitted by the Compensation Committee of the Board of Directors.**

Michael B. Fernandez

Waldemar A. Carlo, M.D.

Manuel Kadre

**Table of Contents****DIRECTORS AND EXECUTIVE OFFICERS****MEDNAX's Directors and Executive Officers**

MEDNAX's Executive Officers, Directors and Director nominee are as follows:

| <b>Name</b>                     | <b>Age</b> | <b>Position with MEDNAX</b>                          |
|---------------------------------|------------|--|
| Roger J. Medel, M.D. (1)        | 63         | Chief Executive Officer and Director                 |
| Cesar L. Alvarez (1)            | 62         | Chairman of the Board of Directors                   |
| Waldemar A. Carlo, M.D. (3)(5)  | 57         | Director   |
| Michael B. Fernandez (3)(4)     | 57         | Director   |
| Roger K. Freeman, M.D. (4)(5)   | 74         | Director   |
| Paul G. Gabos (1)(2)            | 44         | Director   |
| Dany Garcia (4)                 | 41         | Director   |
| Pascal J. Goldschmidt, M.D. (5) | 55         | Director   |
| Manuel Kadre (2)(3)             | 44         | Director   |
| Donna E. Shalala, Ph.D.         | 69         | Director Nominee                                     |
| Enrique J. Sosa, Ph.D. (2)(4)   | 69         | Director   |
| Joseph M. Calabro               | 49         | President and Chief Operating Officer                |
| David A. Clark                  | 43         | Chief Operating Officer, Pediatrix Division          |
| Thomas W. Hawkins               | 48         | Senior Vice President, General Counsel and Secretary |
| Vivian Lopez-Blanco             | 52         | Chief Financial Officer and Treasurer                |
| Frederick V. Miller, M.D.       | 54         | President, Pediatrix Division                        |
| Karl B. Wagner                  | 44         | President, American Anesthesiology                   |

- (1) Member of the Executive Committee.
- (2) Member of the Audit Committee.
- (3) Member of the Compensation Committee.
- (4) Member of the Nominating and Corporate Governance Committee.
- (5) Member of the Medical Science and Technology Committee.

*Roger J. Medel, M.D.*, has been a Director of the Company since he co-founded it in 1979. Dr. Medel served as the Company's President until May 2000 and as Chief Executive Officer until December 2002. In March 2003, Dr. Medel reassumed the position of President, serving in that position until May 2004, and Chief Executive Officer, a position in which he continues to serve today. Dr. Medel is a member of the Board of Trustees of the University of Miami. Dr. Medel participates as a member of several medical and professional organizations and, from June 2006 to April 2009 served on the Board of Directors of MBF Healthcare Acquisition Corp. The Board of Directors has concluded that Dr. Medel's qualifications to serve on the Board include his experience as our Chief Executive Officer and founder of the Company and a physician with training and experience in the Company's historical base service line of neonatology.

*Cesar L. Alvarez* was elected as Chairman of the Board of Directors in May 2004 and has been a Director since March 1997. Mr. Alvarez has served since January 2010 as the Executive Chairman of the international law firm of Greenberg Traurig, P.A. and previously served as its Chief Executive Officer from 1997 until his election as Executive Chairman. Mr. Alvarez also serves on the Board of Directors of Watsco, Inc. and Fairholme Funds, Inc. Mr. Alvarez served as a director of Atlantis Plastics, Inc. from 1995 until 2008 and as a director of New River Pharmaceuticals, Inc. from 2004 until 2007. The Board of Directors has concluded that Mr. Alvarez's qualifications to serve on the Board include his management experience as the current Executive Chairman and as former Chief Executive Officer of one of the nation's largest law firms with professionals providing services in multiple locations across the country as well as his many years of corporate governance experience, both counseling and serving on the Boards of Directors of other publicly traded companies.

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**Table of Contents**

*Waldemar A. Carlo, M.D.*, was elected as a Director in June 1999. Dr. Carlo has served as Professor of Pediatrics and Director of the Division of Neonatology at the University of Alabama School of Medicine since 1991. Dr. Carlo also has served as Director of Newborn Nurseries at the University of Alabama Medical Center and the Children's Hospital of Alabama since 1991. Dr. Carlo participates as a member of several medical and professional organizations. He has received numerous research awards and grants and has lectured extensively, both nationally and internationally. The Board of Directors has concluded that Dr. Carlo's qualifications to serve on the Board include his experience as a nationally known Professor of Neonatology leading one of the nation's largest academic neonatal practices as well as his experience performing scientific research and developing and implementing educational programs for physicians.

*Michael B. Fernandez* was elected as a Director in October 1995. Mr. Fernandez has served as Chairman and is and has been a Managing Director of MBF Healthcare Partners, L.P., a private equity firm focused on investing in healthcare service companies, since February 2005. He is also the Chairman of Navarro Discount Pharmacies, LLC. Mr. Fernandez previously served as Chairman and Chief Executive Officer of CarePlus Health Plans Inc., a managed care HMO, from January 2003 until February 2005, as Chairman and Chief Executive Officer of Physicians Healthcare Plans, Inc., a Florida-based HMO, from 1992 until December 2002, and as Chairman and Chief Executive Officer of MBF Healthcare Acquisition Corp. from June 2006 until April 2009. Presently, Mr. Fernandez serves as a member of the Board of Trustees of the University of Miami and is on the Board of Directors of various private entities, including Healthcare Atlantic, Inc., a holding company that operates various health care entities. The Board of Directors has concluded that Mr. Fernandez's qualifications to serve on the Board include his experience over many years as a founder, investor and executive in a variety of successful healthcare businesses (including managed care companies), his financial and marketing expertise, as well as his experience as a member of the Board of Trustees of the University of Miami.

*Roger K. Freeman, M.D.*, was elected as a Director in May 2002. Dr. Freeman is a maternal-fetal medicine physician. In 1975, he founded Perinatal Associates of Southern California, a physician practice group that has been affiliated with the Company since we acquired Magella Healthcare Corporation (Magella) in May 2001. In September 1999, Dr. Freeman retired from the private practice of medicine. Dr. Freeman has served on many national and local OB/GYN and maternal-fetal organizations. He is currently a member of the Long Beach Memorial Medical Center Foundation Board and serves on the Board of Directors of Todd Cancer Institute at Long Beach Memorial Hospital. Dr. Freeman has authored numerous articles and three books. The Board of Directors has concluded that Dr. Freeman's qualifications to serve on the Board include his experience as a nationally known and now retired Professor of Obstetrics and Gynecology with expertise in maternal-fetal medicine as well as his experience with performing scientific research and developing and implementing educational programs for physicians.

*Paul G. Gabos* was elected as a Director in November 2002. Mr. Gabos has served as Chief Financial Officer of Lincare Holdings Inc. since June 1997 and previously served as Vice President Administration for Lincare. Prior to joining Lincare in 1993, Mr. Gabos worked for Coopers & Lybrand and for Dean Witter Reynolds, Inc. The Board of Directors has concluded that Mr. Gabos's qualifications to serve on the Board include his management experience as a senior executive and financial expertise as Chief Financial Officer a publicly traded healthcare services company and prior thereto as an investment banker with a large national firm.

*Dany Garcia* was elected as a Director in November 2008. Since 2009, Ms. Garcia has been Chairwoman and Managing Member of White Buffalo Entertainment Holdings, LLC, an entertainment production company. From 2003 to 2009, Ms. Garcia served as the Chief Executive Officer of JDM Partners, LLC, an investment advisory firm that specialized in providing investment counsel to high net worth individuals, families and corporations. Ms. Garcia serves as a member of the University of Miami Board of Trustees and as a Director of the Florida International University Foundation Board. The Board of Directors has concluded that Ms. Garcia's qualifications to serve on the Board include her financial expertise as a former Chief Executive Officer of an investment advisory firm as well as her experience as a member of the Board of Trustees of the University of Miami.

## **Table of Contents**

*Pascal J. Goldschmidt, M.D.*, was elected as a Director in March 2006. Dr. Goldschmidt has been the Chief Executive Officer of the University of Miami Health System since November 2007 and the Senior Vice President for Medical Affairs and Dean of the University of Miami Leonard M. Miller School of Medicine since April 2006. Previously, Dr. Goldschmidt was a faculty member with the Department of Medicine at Duke University Medical Center where he served as Chairman from 2003 to 2006 and as Chief of the Division of Cardiology from 2000 to 2003. Dr. Goldschmidt currently serves on the Board of Directors of Opko Health, Inc. The Board of Directors has concluded that Dr. Goldschmidt's qualifications to serve on the Board include his experience as a Chief Executive Officer of a healthcare and hospital system, as Dean of a premier medical school managing physicians and other healthcare professionals, as a physician trained in cardiology, as well as his experience performing scientific research and developing and implementing educational programs for physicians.

*Manuel Kadre* was elected as a Director in May 2007. Mr. Kadre has been the Chief Executive Officer of Gold Coast Caribbean Importers, LLC since July 2009. From 1995 until July 2009, Mr. Kadre served as Vice President, General Counsel and Secretary of CCI Companies, Inc., which distributes Coca-Cola and other beverage products in markets throughout the Caribbean. Mr. Kadre also serves on the Board of Directors of Equity Media Holdings Corporation, the Board of Trustees of the University of Miami and the Board of Governors of University of Miami Hospital. The Board of Directors has concluded that Mr. Kadre's qualifications to serve on the Board include his experience in acquiring and managing businesses, including those in regulated industries and in government relations, his financial expertise as well as his experience as a member of the Board of Trustees of the University of Miami.

*Donna E. Shalala, Ph.D.*, has been nominated for election by the Board of Directors and has agreed to stand for election to our Board of Directors. Ms. Shalala has served as the President of the University of Miami since 2001. From 1993 until 2001, Ms. Shalala served as the United States Secretary of Health and Human Services. Ms. Shalala served as Chancellor and professor of Political Science at the University of Wisconsin-Madison from 1987 to 1993 and as President and Political Science professor at Hunter College from 1980 to 1987. From 1977 to 1980, Ms. Shalala served as Assistant Secretary of the Department of Housing and Urban Development. Ms. Shalala is also a director of Gannett Co., Inc. and Lennar Corporation, a Trustee of the Henry J. Kaiser Family Foundation and a member of the Institute of Medicine of the National Academy of Medicine. From 2001 until 2007, Ms. Shalala served as a director of UnitedHealth Group Incorporated. The Board of Directors has concluded that Ms. Shalala's qualifications to serve on the Board include her expertise in health policy, financing and administration and her experience as the former Secretary of the United States Department of Health and Human Services as well as the current President of the University of Miami, one of the top research universities in the country.

*Enrique J. Sosa, Ph.D.*, was elected as a Director in May 2004. Mr. Sosa is currently a Director of FMC Corporation and Northern Trust Corporation. Mr. Sosa, who is presently retired, served as President of BP Amoco Chemicals from January 1999 to April 1999. From 1995 to 1998, he was Executive Vice President of Amoco Corporation. Prior to joining Amoco, Mr. Sosa served as Senior Vice President of The Dow Chemical Company, President of Dow North America and a member of its Board of Directors. The Board of Directors has concluded that Mr. Sosa's qualifications to serve on the Board include his management and financial expertise as a former executive officer of large international industrial businesses, his many years of experience with corporate governance, and his service on the Boards of Directors of other publicly traded companies.

*Joseph M. Calabro* joined the Company in January 1996 as Chief Information Officer. In January 2000 Mr. Calabro was appointed Executive Vice President, Management, in May 2000 he was appointed Chief Operating Officer and in May 2004 he was appointed President. Prior to joining the Company, Mr. Calabro served as Director of Information Technology for the Ambulatory Surgery Group of Columbia/HCA. He served in various operational and technology positions for various healthcare companies from 1987 to 1994.

*David A. Clark* joined the Company in May 2001 and has been Chief Operating Officer of our Pediatrics Division since August 2008 with executive officer responsibilities since January 1, 2009. Mr. Clark served as

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## **Table of Contents**

Senior Vice President, Operations from December 2003 until August 2008, and as Vice President of Operations, South Central Region from November 2001 to November 2003. From June 2000 to October 2001, Mr. Clark was Vice President of Operations for Magella Healthcare, which we acquired in 2001, and prior thereto he was Vice President of Business Development for Magella Healthcare. Mr. Clark is a certified public accountant.

*Thomas W. Hawkins* joined the Company in May 2003 and became Senior Vice President, General Counsel and Secretary in June 2003. From January 2000 to April 2003, he was a partner with New River Capital Partners, L.P., a private equity firm. Mr. Hawkins previously served as Senior Vice President, Corporate Development at AutoNation, Inc., from June 1996 to December 1999. From 1994 to 1996, Mr. Hawkins was Executive Vice President Administration of Blockbuster Entertainment Group, a division of Viacom, Inc. He served as General Counsel at Blockbuster Entertainment Corporation prior to its merger with Viacom, Inc. in 1994.

*Vivian Lopez-Blanco* joined the Company in May 2008 and was appointed Chief Financial Officer on January 1, 2010. Prior to her appointment, Ms. Lopez-Blanco served as the Company's Vice President and Treasurer. From 2003 to 2008, Ms. Lopez-Blanco served as Chief Financial Officer of Carrols Corporation's Hispanic Restaurants Division, which includes the Pollo Tropical and Taco Cabana concepts. Ms. Lopez-Blanco joined Pollo Tropical in 1997 as Controller, was promoted to Chief Financial Officer in 1998 and led the Company through its acquisition by Carrols. Prior to Pollo Tropical, Ms. Lopez-Blanco served in a variety of positions with an international accounting firm. Ms. Lopez-Blanco is a certified public accountant.

*Frederick V. Miller, M.D.*, joined the Company in 1991 and has been President of our Pediatrix Division since August 2008 with executive officer responsibilities since January 1, 2009. Dr. Miller previously served as our Regional President, Atlantic Region from January 2002 until August 2008, and as our Vice President of Medical Operations, Atlantic Region. Dr. Miller is Board Certified in pediatrics and neonatal-perinatal medicine.

*Karl B. Wagner* joined the Company in May 1997 and became President of our American Anesthesiology division on January 1, 2010. Mr. Wagner was appointed Chief Financial Officer and Treasurer in August 1998 and served as the Company's Chief Financial Officer from August 1998 until December 31, 2009, and as Treasurer from August 1998 until May 2008. Prior to his appointment, Mr. Wagner served as the Company's Controller. Prior to joining the Company, Mr. Wagner was Chief Financial Officer for the East Region of Columbia/HCA's Ambulatory Surgery Group from January 1995 until May 1997. From July 1993 through January 1995, Mr. Wagner was Assistant Controller of Medical Care International, Inc., a subsidiary of Medical Care America, Inc.

## **Committees of the Board of Directors**

### **Audit Committee**

MEDNAX's Audit Committee held seven meetings in 2009. Messrs. Gabos, Sosa and Kadre were members of the committee throughout 2009. Mr. Gabos acted as chair of the committee throughout 2009. MEDNAX's Board of Directors has determined that each of Messrs. Gabos and Sosa qualify as audit committee financial experts as defined by the rules and regulations of the Securities and Exchange Commission and that each of Messrs. Gabos, Sosa and Kadre meet the independence requirements under such rules and regulations and for a New York Stock Exchange listed company.

MEDNAX's Board of Directors has adopted a written charter for the Audit Committee setting out the functions that it is to perform. A copy of the Audit Committee Charter is available on our Website at [www.mednax.com](http://www.mednax.com).

Please refer to the Report of the Audit Committee, which is set forth above, for a further description of our Audit Committee's responsibilities and its recommendation with respect to our audited consolidated financial statements for the year ended December 31, 2009.

## **Table of Contents**

### **Compensation Committee**

MEDNAX's Compensation Committee held eight meetings in 2009. Dr. Carlo and Messrs. Fernandez and Kadre were members of the committee throughout 2009. Mr. Fernandez acted as chair of the committee throughout 2009. MEDNAX's Board of Directors has determined that each of Messrs. Fernandez and Kadre and Dr. Carlo meet the independence requirements for a New York Stock Exchange listed company.

MEDNAX's Board of Directors has adopted a written charter for the Compensation Committee setting out the functions that it is to perform. A copy of the Amended and Restated Compensation Committee Charter is available on our Website at [www.mednax.com](http://www.mednax.com).

The primary purpose of MEDNAX's Compensation Committee is to assist MEDNAX's Board of Directors in the discharge of the Board of Directors' responsibilities relating to compensation of executives. The scope of authority of MEDNAX's Compensation Committee includes the following:

Evaluating the performance and setting the compensation for MEDNAX's Chief Executive Officer and other executive officers;

Supervising and making recommendations to MEDNAX's Board of Directors with respect to incentive compensation plans and equity-based plans for executive officers;

Evaluating whether or not to engage, retain, or terminate an outside consulting firm for the review and evaluation of MEDNAX's compensation plans and approving such outside consulting firm's fees and other retention terms; and

Conducting an annual performance evaluation of MEDNAX's Compensation Committee.

Upon a determination of MEDNAX's full Compensation Committee membership, matters may be delegated to a subcommittee for evaluation and recommendation back to the full committee. For a description of the role performed by executive officers and compensation consultants in determining or recommending the amount or form of executive and Director compensation, see Executive Compensation Compensation Discussion and Analysis Executive Compensation Administration.

### **Nominating and Corporate Governance Committee**

MEDNAX's Nominating and Corporate Governance Committee held two meetings in 2009. Dr. Freeman and Messrs. Fernandez and Sosa were members of the committee throughout 2009. Ms. Garcia was appointed to the committee in May 2009. Dr. Freeman acted as chair of the committee throughout 2009. MEDNAX's Board of Directors has determined that each of Messrs. Fernandez and Sosa, Ms. Garcia and Dr. Freeman meet the independence requirements for a New York Stock Exchange listed company.

MEDNAX's Board of Directors has adopted a written charter for the Nominating and Corporate Governance Committee setting out the functions that it is to perform. A copy of the Amended and Restated Nominating and Corporate Governance Committee Charter is available on our Website at [www.mednax.com](http://www.mednax.com).

The Nominating and Corporate Governance Committee assists the Board of Directors with respect to nominating new Directors and committee members and taking a leadership role in shaping the corporate governance of MEDNAX. To fulfill its responsibilities and duties, the committee, among other things, reviews the qualifications and independence of existing Directors and new candidates; assesses the contributions of current Directors; identifies and recommends individuals qualified to be appointed to committees of the Board of Directors; considers rotation of committee members; reviews the charters of the committees and makes recommendations to the full Board of Directors with respect thereto; develops and recommends to the Board of Directors corporate governance principles, including a code of business conduct; and evaluates and recommends succession plans for MEDNAX's Chief Executive Officer and other senior executives.



## **Table of Contents**

Although the Nominating and Corporate Governance Committee does not solicit director nominations, the committee will consider candidates suggested by shareholders in written submissions to MEDNAX's Secretary in accordance with the procedures described below in the section entitled Information Concerning Shareholder Proposals. In evaluating nominees for Director, the committee does not differentiate between nominees recommended by shareholders and others. In identifying and evaluating candidates to be nominated for Director, the committee reviews the desired experience, mix of skills and other qualities required for appropriate Board composition, taking into account the current Board members and the specific needs of MEDNAX and its Board of Directors. Although the committee does not have a formal policy with regard to the consideration of diversity in identifying Director nominees, the Committee's review process is designed so that the Board of Directors includes members with diverse backgrounds, skills and experience, and represents appropriate financial, clinical and other expertise relevant to the business of MEDNAX. At a minimum, Director candidates must meet the following qualifications: high personal and professional ethics, integrity and values and a commitment to the representation of the long-term interests of our shareholders. Although the committee's charter permits the committee to engage a search firm to identify Director candidates, MEDNAX did not pay any third parties a fee to assist in the process of identifying or evaluating Director candidates in 2009.

## **Risk Considerations in Our Compensation Programs**

The Company has reviewed its compensation structures and policies as they pertain to risk and has determined that our compensation programs do not create or encourage the taking of risks that are reasonably likely to have a material adverse effect on the Company.

## **Certain Relationships and Related Person Transactions**

### **Review and Approval of Related Person Transactions**

MEDNAX has a written policy for the review and approval or ratification of transactions (i) between MEDNAX (or any of its consolidated subsidiaries or affiliated professional associations, corporations and partnerships) and any MEDNAX Director or any other entity in which any MEDNAX Director is a Director, officer or has a financial interest; and (ii) in which MEDNAX (or any of its consolidated subsidiaries or affiliated professional associations, corporations and partnerships) is or will be a participant and any related person has or will have a direct or indirect material interest. For purposes of the policy, a related person includes any MEDNAX Director or Director nominee, executive officer or holder of more than 5% of the outstanding voting stock of MEDNAX or any of their respective immediate family members. The policy does not apply to transactions pertaining to (i) director or officer compensation that is approved or recommended to MEDNAX's Board of Directors for approval by MEDNAX's Compensation Committee or (ii) the employment by MEDNAX (or any of its consolidated subsidiaries or affiliated professional associations, corporations and partnerships) of any immediate family member of a related person in a non-officer position and at compensation levels commensurate with that paid to other similarly situated employees.

Pursuant to the terms of the policy, all covered transactions, if determined to be material by MEDNAX's General Counsel or if the transaction involves the participation of a member of the MEDNAX Board of Directors, are required to be promptly referred to the disinterested members of the MEDNAX Audit Committee for their review or, if less than a majority of the members of MEDNAX Audit Committee are disinterested, to all the disinterested members of the MEDNAX Board of Directors. Pursuant to the terms of the policy, materiality determinations must be based on the significance of the information to investors in light of all circumstances, including, but not limited to, the (i) relationship of the related persons to the covered transaction, and with each other, (ii) importance to the person having the interest, and (iii) amount involved in the transaction. All transactions involving in excess of \$120,000 are automatically deemed to be material pursuant to the terms of the policy.

The disinterested Directors of MEDNAX's Audit Committee or Board of Directors, as applicable, are required to review such material covered transactions at their next regularly-scheduled meeting, or earlier if a

## **Table of Contents**

special meeting is called by the Chairman of the Audit Committee and may only approve such a material covered transaction if it has been entered into in good faith and on fair and reasonable terms that are no less favorable to MEDNAX than those that would be available to MEDNAX in a comparable transaction in arm's length dealings with an unrelated third party at the time it is considered by the disinterested Directors of MEDNAX's Audit Committee or Board of Directors, as applicable.

All of the transactions described in "Transactions with Related Persons" below were covered transactions under our policy and the policies and procedures required by the policy were followed in connection with the review and approval or ratification of all of such transactions.

### **Transactions with Related Persons**

In March 1997, Mr. Alvarez was appointed to MEDNAX's Board of Directors. Mr. Alvarez is the Executive Chairman of Greenberg Traurig, P.A., which serves as one of MEDNAX's outside counsels and receives customary fees for legal services. In 2009, MEDNAX paid Greenberg Traurig, P.A. approximately \$1,010,000 for such services and currently anticipates that this relationship will continue.

Deborah Medel-Guerrero, the daughter of Dr. Medel, is employed by MEDNAX as its Director of Practice Integration and is responsible for matters relating to the integration of newly acquired physician practice groups. In 2009, MEDNAX paid Ms. Medel-Guerrero \$94,791 in salary and bonus and provided her certain health and other benefits customarily provided to similarly situated employees. In addition, in 2009, MEDNAX granted Ms. Medel-Guerrero a restricted stock award of 1,850 shares of our common stock with a three-year vesting period, and with other terms that applied to awards granted to other key employees on the same date.

In connection with the previously disclosed shareholder derivative action and with an investigation by the Securities and Exchange Commission concerning our stock option granting practices, both of which are now resolved, and a related investigation by the U.S. Attorney's Office for the Southern District of Florida, MEDNAX advanced expenses from November 2007 through December 31, 2008, on behalf of the following individuals in the following amounts: Dr. Medel \$331,626.89, Mr. Calabro \$275,305.63, Mr. Wagner \$428,985.26, Mr. Hawkins \$69,343.68 and Charlene D. Warren, a Vice President of the Company, \$33,701.64. No additional expenses have been incurred or advanced since December 31, 2008.

### **Compensation Committee Interlocks and Insider Participation**

Dr. Goldschmidt, one of our Directors since March 2006 and a member of MEDNAX's Medical Science and Technology Committee, is also the Senior Vice President for Medical Affairs and Dean of the University of Miami Leonard M. Miller School of Medicine. Until September 2009, Dr. Medel, MEDNAX's Chief Executive Officer, served on the Trustee Services Committee for the University of Miami. As a member of the Trustee Services Committee, Dr. Medel participated in setting performance goals and annual bonus allocations for various University of Miami employees, including Dr. Goldschmidt.

Mr. Fernandez, one of our Directors since October 1995 and a member of MEDNAX's Compensation Committee and Nominating and Corporate Governance Committee, was also the Chairman and Chief Executive Officer of MBF Healthcare Acquisition Corp. from June 2006 until April 2009. During that time, Dr. Medel served on the Board of Directors of MBF Healthcare Acquisition Corp. Although the Board of Directors of MBF Healthcare Acquisition Corp. did not have a compensation committee, Dr. Medel was not among the directors who performed the functions of a compensation committee.

## **Table of Contents**

### **EXECUTIVE COMPENSATION**

#### **Compensation Discussion and Analysis**

The Compensation Committee of our Board of Directors determines the compensation for our executive officers and oversees the administration of our executive compensation programs. The Compensation Committee is composed entirely of independent Directors and is advised as necessary by an independent consultant retained by the Compensation Committee.

#### **Executive Compensation Philosophy**

The Compensation Committee has designed our executive compensation programs with the following guiding principles in mind:

*Quality of Personnel* We are committed to employing the highest quality executive team in the health care services industry. In a challenging business environment, we believe that having highly qualified executive officers is critical for all our constituencies – our patients, hospitals, affiliated clinicians, third-party payors, employees, and shareholders. We expect our executives to be of the highest caliber in terms of business acumen and integrity.

*Competitiveness* Our objective is to analyze and understand market forces and practices regarding compensation for executives at similarly situated companies. Our strategy is to establish compensation programs and levels in relation to the external market that best support our corporate strategy.

*Alignment of Interests* Our compensation plans for top executives are designed to have strong links to performance achievements, both in terms of operational and financial results as well as in optimizing shareholder value. We evaluate the relationship between compensation cost, shareholder value and company performance on a regular basis. At-risk elements such as cash incentives and stock-based compensation comprise a significant portion of our overall executive remuneration. For incentive plans, we establish performance goals along a wide range of potential performance results so that the level of compensation received appropriately corresponds to the level of performance achieved.

*Simplicity and Ease of Administration* Our plans are intended to be simple to understand, document, track and administer. As part of this objective, we attempt to limit the number of separate elements of compensation so that we can easily understand the relationships between programs.

*Understanding Objectives and Value* We seek to understand the needs and objectives of our executive officers and, to the degree feasible, reflect those needs and objectives in the programs developed. Additionally, we strive to ensure that executives understand each element and the overall compensation program so that they fully appreciate the value being delivered.

*Compliance with Regulatory Guidelines and Sensible Standards of Corporate Governance* We develop our plans in recognition of, and in compliance with, all applicable rules, statutes, regulations and guidelines. Additionally, we monitor our programs on an ongoing basis to ensure they remain in compliance. Program designs reflect relevant considerations in the areas of accounting cost, tax impact, cash flow constraints and other relevant matters. Lastly, we strive to ensure that all programs are appropriate in light of reasonable and sensible standards of good corporate governance.

#### **Executive Compensation Administration**

In August 2008, the Company entered into new Employment Agreements with each of Drs. Medel and Miller and Messrs. Calabro, Wagner and Hawkins. The Employment Agreements replaced those certain employment agreements entered into by and between our Company and each named executive officer in 2004. Various aspects of these new employment agreements are described in more detail below.

## **Table of Contents**

The Compensation Committee continually reviews executive compensation to ensure that it reflects our compensation philosophy. In 2008, the Compensation Committee commissioned Watson Wyatt Worldwide, LLP ( Watson Wyatt ), an independent compensation consultant, to assist it in a thorough review of our compensation practices. The 2008 report contained Watson Wyatt's market assessment and recommendations with respect to annual cash compensation and total compensation for our named executive officers. These recommendations were the basis for the new Employment Agreements.

The 2008 Watson Wyatt report indicated that in 2007, the total direct compensation opportunity for our Chief Executive Officer was substantially below the peer group median, and was close to the peer group median for the Company's other executive officers. The Compensation Committee determined, based upon its compensation philosophy and Company performance, that it was more appropriate for the total direct compensation opportunities, including salary, targeted annual bonus and the estimated fair value of equity-based grants for each of the named executive officers, to be positioned at approximately the 75<sup>th</sup> percentile of the market references developed for each of our named executive officers in the 2008 market assessment. The Compensation Committee used the information contained in the 2008 Watson Wyatt report and its assessment of the performance of our named executive officers, in determining the base salaries and bonus opportunities of each of the named executive officers for 2008 and 2009 and the grants of stock options and restricted stock made to each of those named executives for both of those years as well, as discussed in more detail below.

Our Compensation Committee makes compensation decisions around program design and pay adjustments in the context of our compensation philosophy, market practices and total compensation objectives. The Compensation Committee ordinarily positions compensation opportunities at a strategically determined percentile of the market as a means to attract and retain the level of executive talent necessary to deliver sustained performance. Market positioning for individual elements of compensation and benefits, as well as the relationships among elements, are discussed below. Our compensation programs include significant variable components. For example, our annual bonus program for named executive officers is based on the achievement of predetermined target levels of our Company's income from operations and our equity compensation program is based upon the value and increases in the value of our common stock. Actual compensation realized therefore may be more or less than the targeted compensation opportunity in any given year.

Although it has no formal policy for a specific allocation between current and long-term compensation, or cash and non-cash compensation, the Compensation Committee reviews the pay mix for executive officers as compared to typical market practice. Our annual bonus program serves as a method for properly incentivizing and rewarding our named executive officers for the achievement of desired performance levels. Our long-term compensation program, implemented through a mix of time and performance vesting equity awards, serves as both a retention tool as well as a financial incentive, helping to increase the likelihood that top performers will remain with us long-term and be appropriately rewarded for enhancing long-term shareholder value. The long-term compensation program also serves to align the interests of executive officers with our shareholders. We have no formal policy to either retroactively increase or claw back previously awarded bonuses or vested equity compensation in the event of a restatement of our financial results.

The Compensation Committee has considered a number of factors in making decisions on the structure of the programs and individual compensation awards and payments. The primary factors include the analysis and market data provided by Watson Wyatt as discussed below and the Compensation Committee's guiding principles for program design and operation.

The Compensation Committee establishes and approves all elements of compensation for the Chief Executive Officer after careful consideration of all factors it deems appropriate. The Chief Executive Officer makes recommendations on compensation actions for the other executive officers based on market data and according to the same philosophy and objectives the Compensation Committee has adopted, (and after the other named executive officers have had an opportunity to review the data and to provide the Chief Executive Officer with their input). The Chief Executive Officer's recommendations are then considered for approval by the Compensation Committee, and in some cases are modified by the Compensation Committee during the course of its deliberations.

**Table of Contents**

In 2008, the Company engaged Watson Wyatt to conduct an independent and comprehensive review of our executive compensation program, which included an evaluation of the market positioning for cash compensation and total compensation and individual pay elements and which were relied upon for 2008 and 2009 compensation. Specifically, the review covered the following compensation areas:

*Cash Compensation:* direct cash compensation in the form of base salary and annual bonus.

*Total Compensation:* direct cash compensation elements including base salary, annual bonus and long-term incentives (both cash and stock).

*Peer Group Performance Analysis:* historical peer group analysis of key financial metrics relevant to base salary levels, our bonus plan and stock-based compensation.

In conducting the 2008 market assessment, a peer group of 12 publicly traded healthcare companies with equity market values between \$791 million and \$5.4 billion was used to benchmark compensation for the named executive officers. All of the peer group companies were members of the Dow Jones Health Care Providers, and the group constituted a blend of both small-cap and large-cap companies. The companies included in the peer group were DaVita, Inc., Health Management Associates, Inc., Lincare Holdings, Inc., Community Health Systems, Inc., Universal Health Services, Inc., Lifepoint Hospitals, Inc., Psychiatric Solutions, Inc., Healthways, Inc., Magellan Health Services, Inc., HealthSouth Corporation, Kindred Healthcare, Inc., and Apria Healthcare Group, Inc.

The following sections describe the various elements of our executive compensation program, including its objectives, market positioning, structure and operation, and other information specific to 2009 payments, awards, and pay actions.

**Base Salary**

Each named executive officer is paid a base salary that is reviewed periodically by the Compensation Committee or, in the case of Dr. Miller, by the President and Chief Operating Officer. In 2009, the Compensation Committee did not adjust base salaries from the levels established in mid-2008. The Compensation Committee set the base salaries in mid-2008 for Dr. Medel and Messrs. Calabro, Wagner and Hawkins generally at the 75th percentile of the peer group, based on the 2008 Watson Wyatt review, although individual officer salaries may be above or below those targets. Adjustments to the salaries in 2008 considered the base salary and total compensation market data compiled by Watson Wyatt in the context of the named executive's role and responsibilities, experience and tenure, individual performance and contribution to the Company's results. In the case of Dr. Miller, his base salary was set by the Chief Executive Officer and the President and Chief Operating Officer based on his role and responsibilities as compared generally to other senior executives within the Company.

The schedule below indicates the annual base salaries of our named executive officers for the periods from January 1, 2007 through December 31, 2009:

| Name                          | Annual Base Salary      |                          |
|-------------------------------|-------------------------|--------------------------|
|                               | (1/1/2007 to 5/31/2008) | (6/1/2008 to 12/31/2009) |
| Roger J. Medel, M.D.          | \$ 800,000              | \$ 950,000               |
| Joseph M. Calabro             | \$ 515,000              | \$ 600,000               |
| Karl B. Wagner                | \$ 430,000              | \$ 500,000               |
| Thomas W. Hawkins             | \$ 400,000              | \$ 425,000               |
| Frederick V. Miller, M.D. (1) |                         | \$ 425,000               |

(1) Reflects only base salary for the period beginning January 1, 2009, when Dr. Miller became a named executive officer.

**Table of Contents**

The actual base salaries paid to our named executive officers in 2009, 2008, and 2007 are included in the Salary column of the Summary Compensation Table.

**Annual Bonuses**

In May 2008, our shareholders approved, at the recommendation of our Board of Directors, the 2008 Incentive Compensation Plan. Prior to the approval of the 2008 Incentive Compensation Plan, the 2004 Incentive Compensation Plan was in effect. The purpose of both the 2004 Incentive Compensation Plan and the 2008 Incentive Compensation Plan is to assist us in attracting, motivating, retaining and rewarding high quality executives and other employees, by enabling them to acquire a proprietary interest in our Company and providing them with annual and long-term incentives to expend their maximum efforts in the creation of shareholder value. The Compensation Committee designed both plans to satisfy the requirements for performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code).

Our philosophy is to reward our executive officers for growth in our Company's results of operations. As such, we target steady increases in income from operations. In March of 2009, the Compensation Committee established a 2009 income from operations goal, the achievement of which establishes the maximum bonus award available to each executive officer. This income from operations goal and maximum award amounts were established to comply with Section 162(m) of the Code. The maximum bonus opportunity established by the Compensation Committee as a percentage of base salary was equal to 300% for our Chief Executive Officer, 200% for Messrs. Calabro, Wagner and Hawkins and 150% for Dr. Miller, based upon achievement of a specified level of operating income for 2009. In addition, when the maximum bonus opportunity was established, the Compensation Committee adopted guidelines to be used to adjust the bonuses below the maximum if it determined to exercise its discretion to do so. These bonus adjustment guidelines were designed to be applied based upon the actual level of operating income achieved during 2009. These guidelines, together with the maximum bonus opportunities, were designed, considering the then-prevailing economic conditions and regulatory uncertainty, to encourage our executive officers to focus on continuing to manage our business and associated general and administrative expenses and maintain historical levels of acquisition activity. The bonus adjustment guidelines are as set forth in the following table:

| Income from Operations | Maximum<br>Bonus Opportunity |
|------------------------|------------------------------|
| \$195,664,000          | 0%                           |
| \$222,491,000          | 25%                          |
| \$249,317,000          | 50%                          |
| \$264,647,000          | 75%                          |
| \$279,976,000          | 100%                         |

Under the guidelines, the target bonus opportunity was equal to 50% of the maximum bonus opportunity.

Following the end of the fiscal year, the Compensation Committee determined that our Company's 2009 income from operations was approximately \$288,929,000, which exceeded the target and maximum bonus opportunities. Accordingly, under the guidelines adopted by the Compensation Committee, there was no adjustment made to the maximum bonus opportunity for each of Dr. Medel, Mr. Calabro, Mr. Wagner or Mr. Hawkins. In the case of Dr. Miller, the Compensation Committee delegated authority under the guidelines to the Chief Executive Officer and the President and Chief Operating Officer to determine Dr. Miller's bonus, subject to the maximum bonus opportunity approved by the Compensation Committee. In exercising this authority, the Chief Executive Officer and the President and Chief Operating Officer considered the operating performance of the Company's Pediatrix Division and the Company as a whole for 2009. They also considered Dr. Miller's performance for the year with respect to the transition of the newly established division structure for the Company's Pediatrix Division. In considering these factors, the Chief Executive Officer and the President

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## **Table of Contents**

and Chief Operating Officer concluded that Dr. Miller's bonus should be equal to 150% of his target bonus percentage of 75% of base salary. The amounts of the bonuses are included in the Summary Compensation Table under the column labeled Non-Equity Incentive Plan Compensation.

In March 2010, the Compensation Committee established the 2010 bonus opportunities and guidelines to adjust the bonuses below the maximum opportunity as it did in 2009 for our named executive officers based upon targeted levels in our anticipated income from operations for 2010. Similarly, the Compensation Committee delegated the authority to the Chief Executive Officer and the President and Chief Operating Officer to determine Dr. Miller's bonus for 2010, subject to the maximum bonus opportunity approved by the Compensation Committee. These bonus opportunities were established so that such bonuses, if any, would qualify as performance-based compensation under Section 162(m). The maximum bonus opportunity as a percentage of base salary is the same as that for 2009.

### **Equity-Based Awards**

The Compensation Committee typically makes annual equity awards to key employees (other than new hires) around mid-year. At its June 1, 2009 meeting, the Compensation Committee made the annual awards to the named executive officers in the form of restricted stock.

In general, long-term compensation is allocated on the basis of the Compensation Committee's judgment concerning the cash and equity incentives and time frames that are optimal to maintain our ability to compete for and retain talented leaders. In particular, the Compensation Committee believes that equity grants should provide strong incentives for management to execute our growth strategy which includes expansion into new practice areas. In addition, because our stock option awards provide actual compensation to the recipient only if time vesting requirements are met and our market price increases and our restricted stock awards contain performance vesting features, our equity awards are particularly well suited to both enhance executive retention and create incentives to increase long-term corporate performance. The Compensation Committee, as it did in 2008, utilized the Watson Wyatt report to determine executive officer compensation levels relative to a market peer group deemed to be relevant and to determine the grant value of the equity compensation, consisting of shares of restricted stock, awarded to each executive officer in 2009. In particular, in light of the Compensation Committee's overall philosophy, and based in part on our financial performance relative to our market peer group, the Dow Jones Healthcare Providers Index and the S&P Composite 1500 Index, the Compensation Committee continued its policy, adopted in 2008, of positioning each executive officer's compensation opportunity at the 75th percentile of the peer group market references developed in the Watson Wyatt report, including equity compensation based on grant-date fair value. Information regarding the grants of equity compensation, including restricted stock, made by our Company to our named executive officers during fiscal year 2009 is included in the Summary Compensation Table and the Grants of Plan-Based Awards in 2009 table.

### **Restricted Stock Awards**

Restricted stock awards are intended to retain key employees, including the named executive officers by providing the opportunity for capital accumulation and more predictable long-term incentive value.

Restricted stock awards are shares of our common stock that are awarded with the restriction that the recipient remains with us throughout the award's vesting period. Restricted stock awards granted by our Company generally vest at the rate of one-third per year beginning on the first anniversary of the date on which the award is granted and may also be subject to performance-based vesting. The purpose of granting restricted stock awards is to encourage ownership that results in business decisions that build long-term shareholder value and thus stock price appreciation, and encourage retention of our named executive officers. Named executive officers are allowed to vote restricted stock awards as a shareholder based on the number of shares held under restriction. Any dividends declared with respect to any restricted stock awards are held until the awards vest, at which time the dividends are paid to the named executive officers. If restricted stock is forfeited, the named

**Table of Contents**

executive officer's rights to receive the dividends declared with respect to that stock is forfeited as well. At present, the Company does not pay dividends and it has no current intention to do so in the future.

Any unvested restricted stock is generally forfeited upon termination of the employment of the named executive officers. Their Employment Agreements, however, provide that their restricted stock will vest after termination of employment in certain circumstances. In the event of termination of Dr. Medel and Messrs. Calabro, Wagner and Hawkins by the Company without Cause or due to executive's Disability or by the executive for Good Reason or due to Poor Health or due to Death, all restricted stock granted prior to termination of employment will continue to vest until fully vested. Furthermore, in the event of a Change in Control, for Dr. Medel and Messrs. Calabro, Wagner and Hawkins, all unvested restricted stock will automatically vest. In the event that Dr. Miller's termination date as a result of a Change in Control occurs within the 12-month period of a Change in Control, any unvested restricted stock will automatically vest.

The Compensation Committee determined that the 2009 annual equity award grants would consist entirely of restricted stock. The Compensation Committee made this determination in order to: (i) address retention and incentive concerns relating to prior annual option grants, the exercise prices of which exceeded the market value of the Company's stock; (ii) consider the impact from potential declines in the Company's stock price in the future due to declining economic conditions or uncertainty of prospective healthcare reform; and (iii) help extend the life of the 2008 Incentive Compensation Plan by issuing fewer shares of restricted stock than equivalently valued options would require. The grant-date fair value of the restricted stock awards in 2009 was targeted to be generally the same as the grant-date fair value of the annual equity award in 2008, which consisted of a mix of restricted stock and stock options. The restricted stock awards granted to each of the named executive officers by the Compensation Committee for 2009 were subject to performance-based vesting as follows: if the Company's net patient service revenue, as determined in accordance with generally accepted accounting principles (GAAP), for the 12 months ended March 31, 2010, equals or exceeds \$1,125,000,000, then each of the named executive officers' restricted shares will vest in three equal increments on June 1, 2010, (Increment 1), June 1, 2011 (Increment 2) and June 1, 2012 (Increment 3). If, however, net patient service revenue does not equal or exceed \$1,125,000,000 for that period, then Increment 1 will vest on the later of June 1, 2010, or the date that is two weeks after the date on which the Company's net patient service revenue, as determined in accordance with GAAP, for any 12 consecutive month period commencing on or after May 1, 2009, has been certified by the Compensation Committee to have equaled or exceeded \$1,125,000,000 (the Revenue Date), Increment 2 will vest on the later of June 1, 2011 or the Revenue Date, and Increment 3 will vest on the later of June 1, 2012 or the Revenue Date; provided, however, that if the Revenue Date has not occurred by April 14, 2014, then the restricted shares shall lapse and become null and void. The Compensation Committee intends that these restricted stock awards qualify as performance-based compensation that is not subject to the deduction limitations imposed by Section 162(m).

In connection with the execution of his Employment Agreement on August 20, 2008, Dr. Medel also received two special deferred equity grants (the Deferred Grants), one consisting of 75,000 shares of restricted share units (Deferred Stock) vesting on the fifth anniversary of the date of grant, and the other consisting of 25,000 shares of Deferred Stock, also vesting on such fifth anniversary but only if, prior to the fourth anniversary of the date of grant, Dr. Medel shall have submitted to the Board of Directors a CEO succession plan that is approved by the Board. The Deferred Grants were intended to recognize the sustained strong performance of the Company under Dr. Medel's leadership, to ensure Dr. Medel's retention during the next five years, particularly in light of our expansion into new practice areas, and to ensure a smooth transition to a new CEO at the termination of Dr. Medel's employment. The Deferred Grants are subject to performance-based vesting requirements that will cause their forfeiture unless the Company's net patient service revenue for any four consecutive quarters that elapse during the period commencing on October 1, 2008, and ending on the fifth anniversary of the date of grant equal or exceed \$1,050,000,000 (the Performance Vesting Threshold). In November 2009, the Compensation Committee certified that the Performance Vesting Threshold had been met based on its review of the Company's consolidated financial statements for the year ended December 31, 2008 and nine months ended September 30, 2009. The Deferred Grants will continue to vest in accordance with their terms if Dr. Medel's employment is



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## **Table of Contents**

terminated by him for Good Reason. If Dr. Medel incurs a Disability or if his employment is terminated due to Death, then the Deferred Grants will vest immediately. In addition, because the Performance Vesting Threshold has been met, if Dr. Medel's employment is terminated by the Company without Cause, then the Deferred Grants will vest on the date of such termination. The Deferred Grants will also continue to vest in accordance with their terms if Dr. Medel's employment is terminated due to a Change in Control, provided, that if he terminates his employment within one year after such Change in Control, then the Deferred Grants will vest on such termination date.

### **Stock Option Awards**

An important objective of our long-term incentive program is to provide a strong relationship between the long-term value of our stock and the potential financial gain for employees. A stock option becomes valuable only if our common stock price increases above the option exercise price and the holder of the option remains employed during the period required for the option to vest, thus providing an incentive for an option holder to remain employed by our Company. In addition, stock options link a portion of an employee's compensation to shareholders' interests by providing an incentive to build long-term value, which in turn should result in increases in the market price of our stock. Stock options granted by our Company generally vest and become exercisable over a three-year vesting period.

There is a limited term in which our named executive officers can exercise stock options, known as the option term. The option term is generally 10 years from the date of grant. At the end of the option term, the right to purchase any unexercised options expires. Option holders generally forfeit any unvested options if their employment with us terminates.

The terms of the Employment Agreement for each of Dr. Medel and Messrs. Calabro, Wagner and Hawkins, provide that the executive will have the greater of (i) 24 months after termination of employment or (ii) 12 months from the applicable vesting date to exercise any vested non-qualified stock options or vested stock appreciation rights and realize any other vested incentive compensation awards that may be granted under any of the Company's stock option plans or incentive compensation plans and/or any other similar plan adopted by the Company; provided, however, that in no event may the date be later than the earlier of (i) the latest date upon which the stock right would have expired by its original terms under any circumstances or (ii) the 10th anniversary of the original date of grant of the stock right. The terms of Dr. Miller's Employment Agreement provide that unless he is terminated for Cause (as defined in his Employment Agreement), he will have 180 days after termination of employment to exercise any vested non-qualified stock options or vested stock appreciation rights and realize any other vested incentive compensation awards that may be granted under any of the Company's stock option plans or incentive compensation plans and/or any other similar plan adopted by the Company; provided, however, that in no event may the date be later than the earlier of (i) the latest date upon which the stock right would have expired by its original terms under any circumstances or (ii) the tenth anniversary of the original date of grant of the stock right.

In the event that the employment of Dr. Medel, or Messrs. Calabro, Wagner or Hawkins is terminated by the Company without Cause (as defined in his Employment Agreement) or due to the executive's Disability (as defined in his Employment Agreement) or by the executive for Good Reason (as defined in his Employment Agreement), due to the executive's health becoming impaired to any extent that makes the continued performance of his duties hazardous to the executive's physical or mental health or life ( "Poor Health" ) or due to Death, all stock options, and stock appreciation rights granted prior to termination will continue to vest until fully vested. For each of Dr. Medel and Messrs. Calabro, Wagner and Hawkins, in the event of a Change in Control (as defined in his Employment Agreement) of the Company, all unvested stock options and stock appreciation rights will automatically vest and become immediately exercisable. In the event that Dr. Miller's termination date as a result of a Change in Control (as defined in his Employment Agreement) occurs within the 12-month period of a Change in Control, any unvested stock options will automatically vest and become immediately exercisable.

We did not award any stock options to our named executive officers in 2009.

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**Table of Contents**

**Equity Grant Practices**

The Compensation Committee typically makes annual equity awards around mid-year.

The Compensation Committee determines the effective date of such awards without regard to current or anticipated stock price levels. The Compensation Committee may also make, and in the past has made, special grants during the course of the year, primarily for new hires, promotions, to retain valued employees or to reward exceptional performance. These special grants may be subject to performance or time-based vesting, and are issued on the date of grant approval or upon a date certain following the grant approval date, such as the date on which a new hire commences his or her employment with the Company.

In discharging its responsibility for administering the Company's stock-based compensation programs, the Compensation Committee regularly monitors and evaluates the total cost of such programs. In prior years, and most recently in 2006, Watson Wyatt prepared an analysis of the Company's programs in the areas of total share utilization, annual grant rates and operating expense as compared to peer companies. In 2008, Watson Wyatt prepared an analysis of equity grants to our named executive officers as compared to peer companies as more fully described above. The results of the analysis are used by the Compensation Committee in evaluating management's annual equity grant recommendations for all program participants, including the named executive officers. In evaluating the Company's total cost from stock-based compensation programs, the Compensation Committee takes into consideration the fact that compared to peer company practices, the Company's retirement benefit programs are relatively conservative, particularly for the named executive officers.

We follow equity grant procedures designed to promote the proper authorization, documentation and accounting for all equity grants. Pursuant to these procedures the Compensation Committee or the Board of Directors must formally approve all equity awards during an in person or telephonic meeting or by the unanimous written consent executed by all members of the Compensation Committee or the Board of Directors, as the case may be, it being understood that no equity award granted pursuant to any such written consent may have an effective date earlier than the date that all executed counterparts of such unanimous written consent are delivered to the General Counsel of the Company.

Generally, the exercise price for any equity award, the value of which is based upon a grant-date fair value of our common stock, will be the closing sales price for a share of our common stock as reported on the New York Stock Exchange on the effective date of the grant as approved by the Compensation Committee or the Board of Directors, which date may not be prior to either the date such grant was approved or the commencement date of employment of the employee to whom the equity award is being made.

Subject to these policies and procedures, the Compensation Committee or the Board of Directors may approve grants of equity awards at any time. However, grants to employees may be effective only on a date within a "trading window" as defined by the Company's Policy Statement on Inside Information and Insider Trading, as amended from time to time (the "Insider Trading Policy"). For example, a grant approved by the Compensation Committee or the Board of Directors during a "black-out" period (as defined in such policy) will be effective on a date during the next "trading window" as determined by the Compensation Committee or the Board of Directors on the date such grant is approved.

The Company has not adopted any stock ownership guidelines for its executives or Directors. The Compensation Committee does, however, periodically review the levels of equity ownership by its executives. The May 2006 report from Watson Wyatt contained information reviewed by the Compensation Committee with respect to values of the Company stock owned by each of the named executive officers, the percentages of total stock ownership of the Company owned by each, and the multiples of salary owned by each, and compared that information to stock ownership by executives within the Company's peer group. The Compensation Committee did take that information into account in determining whether ownership guidelines were appropriate.

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## **Table of Contents**

Our insiders can only buy or sell Company stock in accordance with our Insider Trading Policy and our employees generally can only buy or sell Company stock in accordance with our Statement of Policy Prohibiting Insider Trading to All Employees.

### **Retirement and Deferred Compensation Plans**

We maintain a Thrift and Profit Sharing Plan (the 401(k) Plan), which is a 401(k) plan, to enable eligible employees to save for retirement through a tax-advantaged combination of elective employee contributions and our matching contributions, and provide employees the opportunity to directly manage their retirement plan assets through a variety of investment options. The 401(k) Plan allows eligible employees to elect to contribute from 1% to 60% of their eligible compensation to an investment trust on a pre-tax basis, up to the maximum dollar amounts permitted by law. In 2009, the maximum employee elective contribution to the 401(k) Plan was \$16,500, plus an additional \$5,500 for employees who were at least 50 years old in 2009. Eligible compensation generally means all wages, salaries and fees for services from the Company. Matching contributions under the 401(k) Plan are discretionary. For 2009, the Company matched 100% of the first 4% of eligible compensation that each eligible participant elected to be contributed to the 401(k) Plan on his or her behalf. The portion of an employee's account under the 401(k) Plan that is attributable to matching contributions vests as follows: 30% after one year of service, 60% after two years of service, and 100% after three years of service. However, regardless of the number of years of service, an employee is fully vested in our matching contributions (and the earnings thereon) if the employee retires at age 65 or later, or terminates employment by reason of death or total and permanent disability. The 401(k) Plan provides for a variety of different investment options, in which the employee's and the Company's contributions are invested.

Although the Company maintains a non-qualified deferred compensation plan, none of the named executive officers participates in that Plan.

The amounts of the Company's matching contributions under the 401(k) Plan for 2009 for each of the named executive officers is included in the All Other Compensation column of the Summary Compensation Table.

### **Other Benefits and Perquisites**

We provide officers with certain benefits designed to protect them and their immediate families in the event of illness, disability, or death. We believe it is necessary to provide these benefits in order for us to be successful in attracting and retaining executives in a competitive marketplace, and to provide financial security in these circumstances. Named executive officers are eligible for health and welfare benefits available to all eligible Company employees during active employment under the same terms and conditions. These benefits include medical, dental, vision, short-term and long-term disability and group-term life insurance coverage.

Pursuant to the terms of their Employment Agreements, Dr. Medel and Messrs. Calabro, Wagner and Hawkins each are entitled to 38 days (28 days in the case of Dr. Miller) paid time off each year for vacation, illness, injury, personal days and other similar purposes in accordance with our policies in effect from time to time. Any paid time off not used during a calendar year may be carried over to the next year to the extent permitted under those policies. Dr. Medel and Mr. Calabro each are entitled under their Employment Agreements to utilize the aircraft in which the Company owns a fractional interest for personal travel. Dr. Medel's personal use of the aircraft may not exceed 75 hours of flight in any calendar year, and Mr. Calabro's personal use of the aircraft may not exceed 40 hours of flight in any calendar year, without the consent of the Compensation Committee. The incremental cost to the Company of these benefits for Dr. Medel and Mr. Calabro is included in the All Other Compensation column of the Summary Compensation Table.

The Compensation Committee has reviewed our perquisites expenditures, and believes they continue to be an important element of the overall compensation package to retain current officers, and in fact command a higher perceived value than the actual cost.

**Table of Contents****Termination of Employment and Change in Control Agreements**

As described in greater detail below, the Employment Agreements between the Company and each of the named executive officers provide for the payment of certain compensation and benefits in the event of the termination of an executive's employment, the amount of which varies depending upon the reason for such termination. The Compensation Committee has reviewed the essential terms of these termination provisions, and believes they are reasonable, appropriate, and generally consistent with market practice. Those provisions include a reimbursement by the Company to each of Dr. Medel and Messrs. Calabro, Wagner and Hawkins of any excise tax imposed upon the executive pursuant to Section 4999 of the Code with respect to any excess parachute payments, as that term is defined in Section 280G of the Code, that the executive receives as a result of a Change in Control. The effects of Section 4999 are unpredictable and can have widely divergent and unexpected effects based on an executive's personal compensation history. Therefore, to provide an equal level of benefit across individuals without regard to the effect of the excise tax, the Company has determined that the Section 4999 gross up payments are appropriate for the Company's most senior level executives.

**Summary Compensation Table**

The following table sets forth the 2009, 2008 and 2007 compensation for our principal executive officer, principal financial officer, and our other named executive officers for the time they were deemed to be named executive officers.

| <b>Name and Principal Position</b>              | <b>Year</b> | <b>Salary</b> | <b>Bonus (1)</b> | <b>Stock Awards (2)</b> | <b>Option Awards (3)</b> | <b>Non-Equity Incentive Plan Compensation</b> | <b>All Other Compensation</b> | <b>Total Compensation</b> |
|---|-------------|---------------|------------------|-------------------------|--------------------------|---|-------------------------------|---------------------------|
| Roger J. Medel, M.D.<br>Chief Executive Officer | 2009        | \$ 950,000    | \$               | \$ 4,099,985            | \$                       | \$ 2,850,000                                  | \$ 135,329(5)                 | \$ 8,035,314              |
|   | 2008        | \$ 887,500(4) | \$ 138,273       | \$ 7,796,851            | \$ 1,765,000             | \$ 336,727                                    | \$ 146,458(5)                 | \$ 11,070,809             |
|   | 2007        | \$ 800,000    | \$ 89,600        | \$ 934,185              | \$ 763,500               | \$ 799,200                                    | \$ 83,282(5)                  | \$ 3,469,767              |
| Joseph M. Calabro<br>President and              | 2009        | \$ 600,000    | \$               | \$ 2,449,983            | \$                       | \$ 1,200,000                                  | \$ 61,898(6)                  | \$ 4,311,881              |
|   | 2008        | \$ 564,583(4) | \$ 68,220        | \$ 1,347,500            | \$ 1,059,000             | \$ 141,780                                    | \$ 9,620(6)                   | \$ 3,190,703              |
| Chief Operating Officer                         | 2007        | \$ 515,000    | \$ 57,680        | \$ 1,401,250            | \$ 572,625               | \$ 514,485                                    | \$ 31,505(6)                  | \$ 3,092,545              |
| Karl B. Wagner<br>Chief Financial Officer       | 2009        | \$ 500,000    | \$               | \$ 1,624,982            | \$                       | \$ 1,000,000                                  | \$ 23,555(7)                  | \$ 3,148,537              |
|   | 2008        | \$ 470,833(4) | \$               |                         |                          |   |                               |                           |