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DEPARTMENT OF HEALTH
BOARD OF MEDICINE

IN RE: THE PETITION FOR
DECLARATORY STATEMENT FILED ON
BEHALF OF KENNETH NOVICK, M.D.,
AND NEW INTERLACHEN PEDIATRICS.

Final Order No. DOH-01-0896-DS-MQA
FILED DATE - 6/20/01
Department of Health

By: Elisa Floyd
Deputy Agency Clerk

FINAL ORDER

THIS MATTER came before the Board of Medicine (hereinafter the "Board") at its meeting held on October 6, 2000, in Orlando, Florida. The Board reviewed and considered the Petition for Declaratory Statement and determined that said Petition be DENIED, stating as grounds therefore:

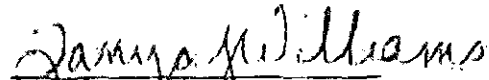
The Petition appears to involve a contract dispute between the Petitioner and the practice management company. The Board is reluctant to review every contract in light of its ruling in *In re Petition for Declaratory Statement of Magan L. Bakarania, M.D.*, 20 FALR 395.

The Order of Intent to Deny issued in error and filed in this cause on February 23, 2001, is hereby VACATED.

This Order shall be placed in and become a part of the official records and shall become effective upon filing with the Clerk of the Department of Health.

DONE AND ORDERED this 30th day of May, 2001.

BOARD OF MEDICINE



Tanya Williams, Board Director
for GASTON ACOSTA-RUA, M.D.
CHAIRMAN

NOTICE OF APPEAL RIGHTS

Pursuant to Section 120.569, Florida Statutes, the parties are hereby notified that they may appeal this Final Order by filing one copy of a notice of appeal with the clerk of the department and by filing a filing fee and one copy of a notice of appeal with the District Court of Appeal within thirty days of the date this Final Order is filed.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been provided by U.S. Mail to counsel for Petitioner, Anthony Deglomine, III, Dean, Mead, Egerton, Bloodworth, Capouano & Bozarth, P.A., 800 North Magnolia Avenue, Suite 1500, Orlando, Florida 32803, this _____ day of _____, 2001.

AMENDED CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Order has been provided by certified mail to **Kenneth Novick, M.D.**, 846 Lake Howell Rd., Maitland FL 32751, **Anthony Deglomine, III, Esq.**, 800 N. Magnolia Ave., Ste. 1500, Orlando FL 32803, at or before 5:00 p.m., this 20th day of June, 2001.

Jane Jordan

DEPARTMENT OF HEALTH
BOARD OF MEDICINE

IN RE: THE PETITION FOR
DECLARATORY STATEMENT FILED ON
BEHALF OF KENNETH NOVICK M.D.,
AND NEW INTERLACHEN PEDIATRICS.

FILED
DEPARTMENT OF HEALTH
DEPUTY CLERK
CLERK *Vicki R. Kenon*
DATE 2/23/01

NOTICE OF INTENT TO DENY PETITION FOR
DECLARATORY STATEMENT

This matter came before the Board of Medicine (hereinafter the "Board") at its meeting held on October 6, 2000, in Orlando, Florida. The Board reviewed and considered the Petition for Declaratory Statement and determined that said Petition be DENIED, stating as grounds therefore:

The Petition appears to involve a contract dispute between the Petitioner and the practice management company. The Board is reluctant to review every contract in light of its ruling in *In re Petition for Declaratory Statement of Magan L. Bakarania, M.D., 20 FALR 395.*

You are hereby notified that mediation is not available in this matter.

Pursuant to Section 120.569, Florida Statutes, you may seek review of the above by filing a request for hearing with the Executive Director of the Board at 4052 Bald Cypress Way, Bin #C03, Tallahassee, Florida 32399-1753, within twenty-one (21) days of your receipt of this notice. You may request a hearing pursuant to Section 120.57(1), Florida Statutes, if there are

material facts in dispute; otherwise, you will receive an proceeding pursuant to Section 120.57(2), Florida Statutes. If you request a hearing pursuant to Section 120.57(1), Florida Statutes, the petition must contain the information required by Rule 28-106.201, Florida Administrative Code, including specification of the facts which are in dispute. If you request a hearing, you have the right to be represented by an attorney or other qualified representative, to take testimony, to call or cross-examine witnesses, to have subpoena and subpoena duces tecum issued, and to present written evidence or argument.

6. Unless a request for a hearing is received by mail on or before the above-stated deadline or if a request for hearing is made, but the request is subsequently withdrawn, the Board will act in accordance with the provisions of Section 120.57, Florida Statutes, and Rule 28-106.111(4), Florida Administrative Code, and this Order shall become final.

This Order shall be placed in and become a part of the official records and shall become effective upon filing with the Clerk of the Department of Health.

DONE AND ORDERED this 21st day of February, 2001.

for Ganya Williams
GASTON ALOSTO-RUA, M.D.
CHAIRMAN
BOARD OF MEDICINE

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Order has been provided by U.S. Mail to counsel for Petitioner, Anthony Deglomine, III, Dean, Mead, Egerton, Bloodworth, Capouano & Bozarth, P.A., 800 North Magnolia Avenue, Suite 1500, Orlando, Florida, Florida 32803, on or before 5:00 p.m., this _____ day of _____, 2001.

AMENDED CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Order has been provided by U.S. Mail to Kenneth Novick, MD, 846 Lake Howell Road, Maitland, FL 32751, Anthony Deglomine, III, Dean, Mead, Egerton, Bloodworth, Capouano & Bozarth, P.A., 800 North Magnolia Avenue, Suite 1500, Orlando, Florida 32803, on or before 5:00 p.m., this _____ day of _____, 2001.

STATE OF FLORIDA
DEPARTMENT OF HEALTH
BOARD OF MEDICINE

FILED
DEPARTMENT OF HEALTH
DEPUTY CLERK
CLERK *Vicki R. Kenson*
DATE 7-13-2000

In re:

Petition for Declaratory Statement
of Kenneth Novick, M.D., individually,
and behalf of New Interlachen Pediatrics, P.A.
and its physicians-shareholders

DOH NO: _____

PETITION FOR DECLARATORY STATEMENT

Pursuant to *Florida Statutes* § 120.565, Petitioner, Kenneth Novick, M.D., individually and on behalf of the other Florida licensed physician-shareholders of New Interlachen Pediatrics, P.A. (the "Practice") and the Practice, petition the Board of Medicine for a declaratory statement, and in support of the petition, state:

1. The Petitioner is Kenneth Novick, M.D., President of the Practice, a Florida professional association of pediatric physicians, located at 846 Lake Howell Road, Maitland, Orange County, Florida, and may be contacted through the address of the undersigned counsel.
2. Kenneth Novick, M.D.'s phone number is 407-767-2477 and facsimile number is 407-767-1213, disclosed pursuant to Rule 28-105.002, Florida Administrative Code.
3. The entities affected by this petition are the Florida Department of Health and the Board of Medicine (the "Board"). The statutory provisions on which this Declaratory Statement is based are *Florida Statutes* §§ 458.331(1)(g), 458.331(1)(i) and 817.505.
4. On January 1, 1999, the Practice entered into a long-term Management Agreement (the "Agreement") with Pediatric Physician Alliance, Inc., a practice management company (the "Manager"). A copy of the Agreement is attached hereto as Exhibit "A."

5. Although the Practice was aware of the Petition for Declaratory Statement filed by Magan L. Bakarania ("Bakarania") and had a copy of a summary of the Board's final order in Bakarania at the time it entered into the Agreement, it entered into an agreement with the Manager based on the following facts, understandings and agreements:

a. The Manager requested that the Practice enter into the Agreement simultaneous with the Manager's entry into similar agreements with other pediatric healthcare providers located in other states. The Manager represented that a simultaneous closing was important to facilitate its business purpose, which, if successful could enhance the expansion and revenue enhancement of the Practice. The Manager's stated business purpose was to develop and create integrated pediatric networks of care which, through strategic planning and the Manager's coordinated management and practice enhancement activities to all managed groups, could facilitate practice expansion and revenue enhancement for all managed groups, including the Practice.

b. At the time the Practice entered into the Agreement, the Board's order in Bakarania was pending on appeal. Based on differing opinions by the Practice's counsel and the Manager's counsel, Petitioner did not know if the Board's order in Bakarania would ultimately be upheld. To facilitate the Manager's timetable for implementing its business plan while protecting the Practice (and the Petitioner and other physician-shareholders), the Practice agreed with the Manager that if the Board's order in Bakarania was upheld on appeal, the Practice would not be required to pay the Manager the monthly management/performance fee for the reasons cited in Bakarania, the Manager and the Practice would seek to negotiate a mutually acceptable flat management fee to replace the monthly management/performance fee, and, if the parties

could not mutually agree on a flat replacement fee, the Agreement would automatically terminate. Upon any such termination, the Practice would then be required to re-purchase the Practice assets in accordance with the express provisions of the Agreement. Toward that end, the Agreement, before it was signed, was revised to reflect the foregoing. See Sections 13.11, 12.5(c) and 12.6 of the Agreement.

d. Petitioner only recently became aware that the Board's final order in Bakarania was upheld by the First District Court of Appeal.¹ Following notice thereof, the Practice notified the Manager, in writing, of the opinion and since such notification has made a good faith effort to implement the provisions of the Agreement, described above, which were modified to reflect and effectuate the parties' understanding that the monthly management/performance fee would be discontinued if the Board's Bakarania order was upheld. For the reasons cited by the Board in Bakarania, Petitioner is concerned about the legality of the continued payment to the Manager of the monthly management/performance fee required under the Agreement.

6. The relevant provisions of the Agreement are as follows:

a. The Manager, directly (and indirectly through a Governance Board established with representatives of the Manager and the Practice, and a Clinical Board, established with network-wide providers, which it is required to establish, oversee and/or operate), is required to provide certain general, non-traditional management services to the Practice, including, but not limited to, practice expansion services. These services expressly

¹See Phymatrix Management Co., Inc. v. Bakarania, 737 So. 2d 588 (Fla. 1st DCA 1999).

include: (i) strategic planning (both long-term strategic planning objectives and annual operating goals designed to achieve such long-term objectives); (ii) coordinating managed care relationships; (iii) negotiating and administering all managed care and other similar payor contracts; (iv) consulting or advising with regard to fee schedules, pricing, fees for services, managed care contracting and other new business opportunities; (v) determining the number of physicians to be employed or otherwise engaged by the Practice; (vi) "Clinic Facility"² expansion through the addition of new physicians, equipment or facilities; (vii) physician recruitment assistance -- to be accomplished by advertising, identifying potential candidates, checking credentials and/or arranging interviews; (viii) advising and assisting, through funding, medical service development for the Practice, including funding to enable the Practice to provide new medical services and/or to utilize new technologies; (ix) design and implementation of public relation programs on behalf of the Practice; (x) ongoing assessment and advice concerning the business activities of the Practice; (xi) arranging for or rendering business advice and legal services in connection with the review and analysis of payor contracts, including managed care contracts or other business contracts arising in the ordinary course of the operation of the Clinic Facilities; and (xii) the provision of other management services, as requested by the Practice.

b. The Manager is also obligated to provide certain "Operational Services" to the Practice, similar to those required by the agreement at issue in Bakarania, including (i) employment of all non-medical personnel necessary or desirable for the operation of the

²"Clinic Facilities" are defined as medical offices leased by the Practice from the Manager as of the inception of the Agreement, and any additional facilities leased thereafter with the consent of the Manager and the Practice.

business functions of the Practice's medical practice, including an on-site administrator and all other administrative, clerical, secretarial, bookkeeping and collection personnel; (ii) furnishing the Clinic Facilities, and furnishing all necessary furniture, fixtures, equipment, medical supplies and inventory; (iii) assistance in developing ancillary services; and (iv) providing, through the Manager's employees, all back office and related business services necessary to or in connection with the operation of the Practice's medical practice, including, but not limited to, payment of "Clinic Facility Expenses" (i.e., all budgeted operating and non-operating expenses incurred in the operation of the Clinic Facilities and the Practice's medical practice, including all costs and expenses incurred by the Manager in providing Operational Services), accounting, bookkeeping, filing, record keeping, billing, collecting and financial reporting.

c. In return for the above-described general management services and Operational Services, the Practice is effectively required to pay the Manager two fees.

(i) First, the Practice must pay, through payment or reimbursement out of the Practice's receipts, an "Operational Fee" equal to the costs and expenses incurred by the Manager in furnishing the Operational Services, including salaries, benefits and other direct costs of the Manager's personnel furnishing such services, and all or substantially all of the costs and expenses incurred by the Manager in furnishing the general management services. The Operations Fee is paid from time to time as such costs and expenses are incurred, but not less frequently than monthly.

(ii) Second, the Practice is obligated to pay the Manager a monthly management/performance fee equal to 15% of the Practice's monthly "net operating income"

(based on billings). This is, essentially, a fee equal to 15% of the Practice's monthly net profits, before physician compensation.

The Practice's monthly "net operating income" is: (1) all of the revenues generated monthly by or on behalf of the Practice or its physician-employees or other medical employees or independent contractors: "... as a result of professional medical services and ancillary services provided to patients, pharmaceuticals and other items and supplies sold to patients, and all other fees or income generated by such persons ... whether ... in an inpatient or outpatient setting, ... regardless of source," less (2) the Clinic Facility Expenses for such month (including the portion thereof consisting of the Operations Fee payable to the Manager for such month), as determined before physician compensation. The monthly management/performance fee, similar to the "Performance Fee" at issue in Bakaranja, is a percentage of (additional) profits generated, in whole or in part, by the Practice as a result of the Manager's general, non-traditional management services, including its marketing, networking, managed care contracting and other practice expansion services or activities.

d. Pursuant to the Agreement, the Manager has total control over all receipts of the Practice and pays itself both its Operations Fee and its monthly management/performance fee.

7. *Florida Statutes* § 458.331(1)(i) states that physicians are subject to disciplinary action by the Board for "[p]aying or receiving any commission, bonus, kickback, or rebate, or engaging in any split-fee arrangement in any form whatsoever with a physician, organization, agency, or person, either directly or indirectly, for patients referred to providers of healthcare goods and services. . . ." *Florida Statutes* § 458.331(1)(g) states that a physician may be

disciplined for “failing to perform a statutory or legal obligation placed upon a licensed physician.”

8. *Florida Statutes* § 817.505(1) similarly makes it unlawful for a physician to “offer or pay any commission, bonus, rebate, kickback, or bribe, directly or indirectly, in cash or in kind, or engage in any split-fee arrangement, in any form whatsoever, to induce the referral of patients or patronage from a healthcare provider or healthcare facility.”

9. The Board has addressed the above statutory provisions and their application to similar circumstances to those set forth herein in the Bakarania decision and in the Petition for Declaratory Statement of Gary R. Johnson and the Green Clinic, 14 F.L.A.R. 3935 (July 11, 1992). In Green, the Board addressed a situation in which a physician had paid management fees to a clinic based upon a percentage of the physician’s billings (without regard to whether the billing were for services rendered in or out of the clinic). In the Green decision, the Board interpreted *Florida Statutes* § 488.331(1)(i) to prohibit an arrangement whereby a clinic retains a specified percentage of the physicians’ billings without regard to the cost to the clinic of providing its services to the physician and without regard to whether the physician’s billings are for services performed by the physician in or out of the clinic. Similarly, in Bakarania, relying upon Green, the Board concluded that an agreement which calls for a physician’s or his group practice’s payment to a management company of a specified percentage of his or their net income, without regard to the cost of providing the services supplied by the management company, and without regard to whether the income upon which such percentage is based is from services performed either by the physician or under the physician’s supervision or direction, constitutes a split-fee arrangement in violation of *Florida Statutes* § 458.331(1)(i). Here, the

payment of the monthly management/performance fee to the Manager under the Agreement is similar to the agreements at issue in both the Green decision and the Bakarania order.

10. Given the foregoing, Petitioner is concerned that the monthly management/performance fee required by the Agreement violates *Florida Statutes* § 458.33(1)(i) according to the Board's reasoning in Green and Bakarania. The Agreement requires the Practice to pay the Manager a specified percentage of its monthly net operating income, without regard to the cost to the Manager of providing the services supplied by the Manager, without regard to whether the income comprising such monthly net operating income is from services performed by Practice physicians in or out of the Clinical Facilities (the setting at which the Manager provides its management services), and without regard to whether the income upon which such percentage fee is based is from services performed either by or under the supervision of Petitioner or any other physician-employee of the Practice.

11. In addition to the foregoing, in Bakarania, the Board also analyzed whether the performance fee payable under the agreement at issue therein which was based on general management services, including practice expansion activities the management company was required to provide, separately violated *Florida Statutes* § 458.331(1)(i). On that issue, the Board determined that the payment of a performance fee to the management company which represents a percentage of revenue generated from management and practice enhancement services provided by the management company was impermissible and violated *Florida Statutes* § 458.331(1)(i).³ The Board noted that, although the payment of a reasonable flat fee in return

³In its final order, the Board in Bakarania did not construe *Florida Statutes* § 817.505, but noted the similarity of the language between §§ 817.505 and 458.331(1)(i). It further noted that

for management services, which could include practice enhancement activities or services, is appropriate and allowable; a payment to a manager of a percentage of the revenue the management services and practice enhancement activities generates is not permissible.

12. Again, the Agreement here is similar to the agreement in Bakaranja on this issue. Pursuant to the Agreement, the Manager is expressly required to provide general management services, including practice expansion and related activities and services, including developing relationships and affiliations with managed care companies, other pediatric practices and the evaluation, negotiation and administration of managed care contracts. The monthly management/performance fee required to be paid to the Manager, similar to the performance fee in Bakaranja, may represent a percentage of the Practice's revenues generated, in whole or in part, from the general management services, including practice enhancement services, required to be furnished by the Manager under the Agreement. As such, Petitioner is concerned that the monthly management/performance fee required to be paid the Manager pursuant to the Agreement also violates *Florida Statutes* §§ 458.331(1)(i) (and 817.505) for the same reasons as those enunciated in Paragraph 7 of the Bakaranja final order.

13. Petitioner is concerned that the continued payment of the above described monthly management/performance fee to the Manager may subject Petitioner (and the other physician-shareholders of the Practice) to discipline by the Board for a violation of Petitioner's (and the other physician-shareholders') statutory obligations, for the reasons above. However,

it was clear from the language of § 817.505 that the payment of fees or other remuneration related to the referral of patients to healthcare providers is not permitted in Florida, and any licensee convicted under § 817.505 would clearly be subject to discipline by the Board.

the Manager disagrees that the payment of this fee called for by the Agreement violates Florida law and continues to pay itself the questionable monthly management/performance fee.

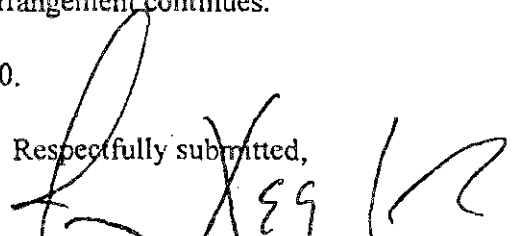
Petitioner's only ability to terminate such arrangement is to breach the Agreement. If such action is taken and the monthly management/performance fees payable to the Manager pursuant to the Agreement is later determined to be proper, Petitioner (and the other physician-shareholders of the Practice) may incur substantial economic liability to the Manager.

Request for Relief

Under the facts of this case, and in light of the Board's position in Green and Bakarania, (and its subsequent position in a ruling in June 2000), and the statutory prohibitions against fee splitting and illegal "kickbacks" for the referral of patients, Petitioner requests that the Board issue a Declaratory Statement advising Petitioner as to whether the Agreement, or the payment to the Manager of the monthly percent management/performance fee required to be paid thereunder, violates Florida law and whether Petitioner (and the other physician-shareholders of the Practice) would be subject to discipline if this arrangement continues.

DATED this 11 day of July, 2000.

Respectfully submitted,



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Attorneys for Petitioner

MANAGEMENT SERVICE AGREEMENT

between

NEW INTERLACHEN PEDIATRICS, P.A.
a Florida professional association

and

INTERLACHEN PEDIATRICS, INC.
a Florida corporation

Dated January, 1999

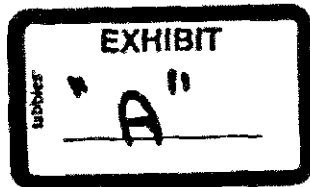


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MANAGEMENT SERVICE AGREEMENT

THIS MANAGEMENT SERVICE AGREEMENT (this "Agreement") is entered into on January 1, 1999, by and between NEW INTERLACHEN PEDIATRICS, P.A., a Florida professional association ("Physician Group"), and INTERLACHEN PEDIATRICS, INC., a Florida corporation ("Manager"), with reference to the following facts:

(A) Physician Group is a group medical practice that provides pediatric medical care to the general public;

(B) Manager intends to manage and administer pediatric medical clinics, and furnish pediatric medical practices with appropriate facilities, equipment, supplies, support services and administrative support staff; and

(C) Physician Group wishes to obtain those services from Manager so as to permit Physician Group to devote its concentrated and continuous efforts to the rendering of medical services to its patients.

THEREFORE, in consideration of the mutual covenants contained in this Agreement, Physician Group and Manager agree as follows:

ARTICLE 1. RELATIONSHIP OF THE PARTIES

Section 1.1. Independent Relationship. Physician Group and Manager intend to act and perform as independent contractors, and the provisions of this Agreement are not intended to create any partnership, joint venture, agency or employment relationship between the parties. Each party shall be responsible for and shall comply with all state and federal laws pertaining to it, including, without limitation, employment taxes, income withholding, unemployment compensation contributions and other employment-related statutes.

Section 1.2. Responsibilities of the Parties. Manager shall provide Physician Group with offices and facilities, equipment, supplies, support personnel and management and financial advisory services, as more specifically provided in this Agreement. Physician Group shall be responsible for the recruitment and hiring of Physician Employees (as defined in Section 7.4) and Practice Employees (as defined in Section 7.5), and for all issues related to the professional, clinical and ethical aspects of its medical practice. Physician Group, through its physicians and other health care personnel, shall also be responsible for and shall have complete authority, responsibility, supervision and control over the provision of all medical services and other professional health care services performed for patients. All diagnoses, treatments, procedures and other professional health care services shall be provided and performed exclusively by or under the supervision of the physicians of Physician Group. Manager shall have and exercise absolutely no control or supervision over the provision of medical services, nor shall Manager exercise control over or interfere with the physician-patient relationship, which shall be maintained strictly between the physicians of Physician Group and their patients.

Section 1.3. Internal Physician Group Matters. Matters involving the internal management, control or finances of Physician Group, including, without limitation, tax planning, investment planning and, the allocation of professional income among the physicians of Physician Group, shall remain the sole responsibility of Physician Group and its shareholders.

Section 1.4. Hours of Operation. Manager acknowledges and agrees that the hours of operation of Physician Group's medical practice shall be identical to the hours the medical

practice of Interlachen Pediatrics, P.A., a Florida professional association ("IP"), was operated immediately prior to the date of this Agreement, unless otherwise agreed to in writing by the Governance Board which agreement shall not be unreasonably withheld by the Physician Group's representatives on the Governance Board.

Section 1.5. Patient Referrals. This Agreement is not intended to induce or encourage the referral of patients, or the payment directly or indirectly of any remuneration, to Physician Group in violation of applicable laws, rules or regulations. The benefits to Physician Group under this Agreement do not require, are not payment or inducement for, and are not in any way contingent upon, the admission, referral or any other arrangement for the provision of any item or service offered by Manager to any of Physician Group's patients.

ARTICLE 2. FACILITIES TO BE PROVIDED BY MANAGER

Section 2.1. Clinic Facilities. Manager shall provide Physician Group with the use of the "Clinic Facilities" (as defined below), together with furniture, fixtures and equipment and all costs of repairs, maintenance and improvements, utility (telephone, electric, gas and water) expenses, normal janitorial services, refuse disposal, real or personal property lease payments and expenses, tax assessments and all other costs and expenses reasonably incurred in conducting operations in the Clinic Facilities, during the term of this Agreement and in accordance with the terms of this Agreement. Manager shall provide for the proper maintenance and cleanliness of the Clinic Facilities and of the equipment, furniture and furnishings the use of which Manager is required to provide to Physician Group hereunder in connection with the operation of its medical practice and which are located in the Clinic Facilities. As used in this Agreement, "Clinic Facilities" means the medical offices and other sites of medical business operations now or hereafter utilized by Physician Group, as approved from time to time by the Governance Board (as defined in Section 3.1). "Clinic Facility" means any one of the Clinic Facilities. The initial Clinic Facility or Clinic Facilities are described in Exhibit 2.1. Nothing in this Section is intended to require Manager to provide any services with respect to the Clinic Facilities if such services are required to be provided by the landlord under a lease for a specific property.

ARTICLE 3. DUTIES OF THE GOVERNANCE BOARD

Section 3.1. Formation and Operation of the Governance Board. The parties shall establish a Governance Board (the "Governance Board") to develop management and administrative policies for the overall operation of the Clinic Facilities. The Governance Board shall consist of six (6) members. Physician Group shall designate, in its sole discretion, three (3) members of the Governance Board. Manager shall designate, in its sole discretion, three (3) members of the Governance Board. The Governance Board may act by unanimous written consent or by meeting. If action is to occur by meeting, each member shall receive at least three (3) business days advance written notice of such meeting. The requirement of such notice may be waived by a member in writing or by attendance. For action to be taken by the Governance Board at a meeting, at least a majority of the members of the Governance Board must be present. Except as may otherwise be provided in this Agreement, any action of the Governance Board taken at a meeting shall require the approval of a majority of all members of the Governance Board, whether or not present at such meeting. For example, if four out of a total of six members of the Governance Board are present at a meeting, action may be taken but such action shall require the approval of all four members present. Notwithstanding the foregoing, the parties hereto agree that decisions involving medical issues of the type described in Section 3.2(1) shall be decided solely by the physician members of the Governance Board, and

shall require the vote of no less than a majority of the physician members of the Governance Board.

Section 3.2. Duties and Responsibilities of the Governance Board. The Governance Board shall have the following duties, obligations and authority:

(a) Annual Budgets. The Governance Board shall review and approve the annual operating and capital budgets, as provided in Section 5.2.

(b) Capital Improvements and Expansion. Any renovation and expansion plans and capital equipment expenditures with respect to Physician Group's facilities shall be reviewed and approved by the Governance Board and shall be based upon economic feasibility, physician support, productivity and then-current market conditions.

(c) Marketing and Advertising. All marketing and other advertising of the services performed at Physician Group's facilities shall be subject to the prior review and approval of the Governance Board.

(d) Patient Fees: Collection Policies. As a part of the annual operating budget, in consultation with Physician Group and Manager, the Governance Board shall review and advise Physician Group and Manager regarding the fee schedule and collection policies for all physician and ancillary services rendered by Physician Group; provided, however, Physician Group shall be ultimately responsible for approval of the fee schedule, and Manager shall be ultimately responsible for approval of collection policies.

(e) Ancillary Services. The Governance Board shall review and approve all ancillary services provided, or to be provided in the future by Physician Group based upon the pricing of, access to and quality of such services.

(f) Provider and Payer Relationships. Decisions regarding the establishment or maintenance of relationships with institutional health care providers and third party payors shall be made by the Governance Board after consultation with Physician Group. The Governance Board shall render advice regarding discounted fee schedules, including capitated or other risk sharing fee arrangements, and shall allocate revenue generated from capitation or risk sharing contracts; provided however, Physician Group shall be ultimately responsible for approval of all fee schedules, including payments to be made pursuant to a capitation or other risk sharing fee arrangement.

(g) Strategic Planning. The Governance Board shall develop long-term strategic planning objectives and annual operating goals designed to achieve such long-term objectives.

(h) Capital Expenditures. The Governance Board shall determine the priority and timing of any proposed major capital expenditures.

(i) Physician Hiring. The Governance Board shall have exclusive authority to determine the number and type of physicians to be employed or otherwise retained for the operation of Physician Group's medical practice; provided, however, Physician Group shall be ultimately responsible and have sole authority for all decisions relating to the employment or termination of specific Physician Employees and Practice Employees.

The approval of the Governance Board shall be required for any variations to, or exclusions from, the restrictive covenants in any physician employment contract.

(j) Fee Dispute Resolution. Upon submission by Physician Group or Manager of a dispute concerning any amounts payable under this Agreement, the Governance Board shall consider, develop and implement a resolution. If the Governance Board cannot resolve any such dispute to the satisfaction of both Physician Group and Manager, then such dispute shall be resolved by arbitration pursuant to Section 13.16.

(k) Grievance Review. The Governance Board shall consider and make recommendations to Physician Group regarding grievances pertaining to matters not specifically addressed in this Agreement as referred to it by Physician Group's Board of Directors.

(l) Medical Decisions. Subject to the last sentence of Section 3.1 above, the Governance Board shall review and advise as to issues relating to:

(i) Types of medical services to be provided;

(ii) Recruitment of physicians to Physician Group, including the specific qualifications and specialties of recruited physicians;

(iii) Fee schedules for medical services; provided however, Physician Group shall be ultimately responsible for approval of all fee schedules, including payment to be made pursuant to a capitation or other risk sharing fee arrangement;

(iv) Any other function or decision that the parties agree is related to medical services or the practice of medicine; and

(v) The termination without cause of any Physician Employee.

(m) Practice Administrator. The Governance Board shall review and approve the hiring and/or termination of the practice administrator employed by Manager in accordance with this Agreement to manage the nonmedical aspects of Physician Group's practice (the "Administrator"). The Governance Board shall review and approve the job description and prescribed duties of the Administrator and any changes to such description and duties.

(n) Exceptions to Inclusion in Physician Group Revenues. The exclusion of any revenue from Physician Group Revenues (as defined in Section 9.1 hereof) shall be subject to the approval of the Governance Board.

(o) Acquisitions. Physician Group's acquisition of or merger with any other medical practices.

(p) Budgets. Each operating and capital budget prepared by Manager pursuant to the provisions of Article 5 hereof shall be subject to the approval of the Governance Board. For this purpose, the Governance Board has the authority to approve or disapprove specific line items contained in any such operating or capital budget prepared by Manager and submitted to the Governance Board for its approval, all as provided in Section 5.2 hereof.

(q) Other Matters. Such other matters which, pursuant to the express terms of this Agreement, require the approval of the Governance Board.

Section 3.3. Deadlocks of the Governance Board. The parties agree to cause their respective representatives on the Governance Board to deliberate in good faith on all matters brought before the Governance Board and to use all reasonable efforts to reach agreement on such matters, including consultation with non-members of the Governance Board from each of Manager and Physician Group. Nevertheless, unless otherwise agreed to in writing by Manager and Physician Group, if the Governance Board is deadlocked and cannot reach a decision on any matter subject to its approval, then such deadlock shall not be subject to any deadlock or dispute resolution procedure or mechanism and shall not be subject to arbitration.

ARTICLE 4. DUTIES OF THE CLINICAL BOARD

Section 4.1. Formation and Operation of the Clinical Board. Manager has established, or will promptly establish, a clinical board (the "Clinical Board") to provide advice to Manager, Physician Group and other physician groups concerning the oversight of clinical activities of physician groups to whom Manager provides management services. Physician Group shall designate, in its sole discretion, one (1) physician to serve on the Clinical Board. The Clinical Board may act by unanimous written consent or by meeting. If action is to occur by meeting, each member shall receive at least three (3) business days advance written notice of such meeting. The requirement of such notice may be waived by a member in writing or by attendance. For action to be taken by the Clinical Board at a meeting, at least a majority of the members of the Clinical Board must be present. Except as may otherwise be provided in this Agreement, any action of the Clinical Board taken at a meeting shall require the approval of a majority of all members of the Clinical Board, whether or not present at such meeting. For example, if six out of a total of ten members of the Clinical Board are present at a meeting, action may be taken but such action shall require the approval of all six members present. Notwithstanding the foregoing, the parties hereto agree that any decision of the Clinical Board involving medical issues shall be decided solely by the physician members of the Clinical Board, and shall require the vote of no less than two-thirds (2/3) of the physician members of the Clinical Board. The parties agree to cause their respective representatives on the Clinical Board to deliberate in good faith on all matters brought before the Clinical Board and to use all reasonable efforts to reach agreement on such matters, including consultation with non-members of the Clinical Board from each of Manager and Physician Group. Nevertheless, unless otherwise agreed to in writing by Manager and Physician Group, if the Clinical Board is deadlocked and cannot reach a decision on any matter subject to its approval, then such deadlock shall not be subject to any deadlock or dispute resolution procedure or mechanism and shall not be subject to arbitration.

Section 4.2. Duties and Responsibilities of the Clinical Board. The Clinical Board shall have the following duties, obligations and authority:

(a) Clinical Activity Oversight. The Clinical Board shall provide advice and oversight concerning credentialing and peer review, clinical trials, clinical protocols, grievance review, preventive health programs and utilization management.

(b) Standing Committees. The Clinical Board shall have the discretion to form standing committees, which shall be advisory in nature to the Clinical Board, for the purpose of addressing certain selected subjects to be determined by the Clinical Board. It is anticipated, but not required, that committees be formed to advise with respect to

pricing, fee-for-service and managed care contracting, new business opportunities and information systems and data management.

ARTICLE 5. THE BUDGET

Section 5.1. The Initial Budget. Attached hereto as Exhibit "A" is the operating and capital budget for the first calendar year (or partial calendar year) to which this Agreement applies.

Section 5.2. Subsequent Budgets. At least sixty (60) days prior to the commencement of each calendar year during the term of this Agreement after the first such calendar year (or partial calendar year), Manager shall prepare and deliver to the Governance Board for its approval an annual operating and capital budget for each such subsequent calendar year (or partial calendar year) during the term of this Agreement. Each annual operating and capital budget prepared by Manager hereunder shall reflect, in reasonable detail, the anticipated Clinic Facility Expenses and Physician Group Revenues for the calendar year to which each such annual operating and capital budget relates, including (i) anticipated costs of personnel, supplies, furniture, fixtures, equipment and facilities required to be provided by Manager to Physician Group hereunder, (ii) anticipated costs of operating Physician Group's medical practice in the ordinary course for the period to which such annual operating and capital budget relates, and (iii) any non-recurring costs, including capital expenditures, anticipated to be incurred in connection with the operation of Physician Group's medical practice.

Notwithstanding anything herein to the contrary, each such annual operating and capital budget, in addition to other specific line items included therein, shall provide a separate line item for each of Sections 6.2(a) through 6.2(m) and a separate line item for each of Sections 6.6, 6.7, 6.8 and 6.10. In addition thereto, each annual operating and capital budget shall provide a separate line item for each of the following:

(i) any anticipated indebtedness or obligations (including leases or other agreements) to be incurred or entered into in connection with the operation of Physician Group's medical practice, the Clinic Facilities or with respect to the acquisition or improvement of any capital assets;

(ii) any material transactions anticipated between Physician Group or Physician Group's medical practice and Manager or any affiliate of Manager, including, but not limited to, the purchase or sale of goods or services or any other transaction, including all payments to be made or anticipated to be made between the parties in connection therewith and any fees, other than the Management Fee, to be paid or anticipated to be paid to Manager or any affiliate thereof in connection with Manager's performance of any services to or in respect of Physician Group, including services otherwise required to be provided by Manager pursuant to the terms of this Agreement; and

(iii) all of the material assumptions which each such annual operating and capital budget or any part thereof are based, prepared in narrative form.

Notwithstanding any of the foregoing, in no event shall any budget prepared pursuant to this Section 5.2 be required to be any more detailed than the initial budget prepared and attached hereto pursuant to Section 5.1. The operating and capital budget for the first calendar year (or partial calendar year) to which this Agreement applies and which is attached hereto as Exhibit

"A", and each subsequent operating and capital budget prepared in accordance with this Section 5.2 and approved by the Governance Board, is referred to herein as an "Approved Budget". In the event that the Governance Board does not approve an operating and capital budget for any calendar year or shall approve some, but not all, of the separate line items included in any annual operating and capital budget, until such time as the Governance Board shall approve an operating and capital budget for such calendar year or approve portions thereof not previously approved, the last Approved Budget shall apply, as modified or adjusted (1) by those items which are approved by the Governance Board, (2) as necessary or appropriate for non-recurring items, (3) solely with respect to personnel costs not yet approved by the Governance Board, by the proportionate increase or decrease in the personnel costs included in the last Approved Budget, as measured by the increase or decrease in full-time equivalent personnel, including Practice Employees, and (4) solely with respect to recurring items of expense with respect to which the Governance Board has not yet approved, by the increase or decrease, from the first day of the prior calendar year to the first day of the calendar year to which such operating and capital budget relates, in the Consumer Price Index-Health/Medical Services in the Orlando, Florida area.

Manager shall review each Approved Budget, from time to time, but not less frequently than quarterly and, in connection therewith, prepare such revisions thereto as Manager shall determine to be necessary or appropriate, if any, after consultation with the Physician Group's members serving on the Governance Board. In addition, Physician Group may also review and recommend changes to each Approved Budget as Physician Group determines to be necessary or appropriate. Any such revisions proposed by Manager or Physician Group to a previously Approved Budget shall be submitted to the Governance Board for its approval. If and at such time as any such proposed revisions to a previously Approved Budget are approved by the Governance Board, such Approved Budget, as so revised, shall be considered to be the Approved Budget for the remainder of the fiscal period covered thereby.

Section 5.3. Budget Conformance and Accountability. Except as consented to in writing by the other party, Manager and Physician Group shall use all commercially reasonable efforts to manage and administer the operations of the Clinic Facilities and Physician Group's medical practice as provided in this Agreement and in accordance with each applicable Approved Budget so that the actual revenues, collections, costs and expenses of the operation and maintenance of the Clinic Facilities and Physician Group's medical practice during any applicable period of the calendar year shall be consistent with the terms of this Agreement and the applicable approved Budget. Neither Manager nor Physician Group shall have the power to prohibit or invalidate any expenditure that is specified in or clearly contemplated by an applicable Approved Budget or that is permitted to be made in accordance with this Section 5.3 or that is permitted or required to be made, as a Clinic Facility Expense, in accordance with any other express provision of this Agreement. Neither Manager nor Physician Group shall make any expenditure inconsistent with the applicable Approved Budget without the other party's written consent unless (i) (A) the expense does not exceed the amount budgeted therefor in the Approved Budget by more than ten percent (10%) for the calendar year to which such Approved Budget relates, and (B) the expense will not cause the total expenses for the applicable calendar year, on an annualized basis, to exceed the total amount of expenses budgeted for such year by more than five percent (5%) or (ii) the expense is permitted or required to be made by such party, as a Clinic Facility Expense, in accordance with any other express provision of this Agreement. The parties acknowledge and agree that additional expenditures not specified in or contemplated by an Approved Budget may be required (i) to support increases in revenues, increases in patient flow or increases in the level, acuity or amount of medical services delivered in connection with the operation of the Clinic Facilities and/or Physician Group's medical practice or (ii) as a result of events beyond the control of the parties, including, without limitation, price increases by third

party suppliers of goods or services, increases in tax rates, increases in utility charges, strikes and Acts of God. In any such event, the parties agree (i) that Manager shall propose such revisions to the then current Approved Budget as Manager deems reasonably appropriate to provide for such additional expenditures, (ii) that a meeting of the Governance Board shall be convened for the purpose of considering Manager's proposed revisions to the Approved Budget, (iii) that each party's respective representatives on the Governance Board shall deliberate in good faith toward reaching agreement on whether and to what extent to approve and adopt such proposed revisions, and (iv) that each party's respective representatives on the Governance Board shall not unreasonably withhold his or her consent to any such revisions that are reasonably required under the circumstances.

Section 5.4 Expenditures Not Specified in Approved Budget. If either party pays or incurs any expenditure or obligation which is not specified in or clearly contemplated by an Approved Budget, and is not otherwise permitted to be paid or incurred in accordance with Section 5.3 above, or permitted or required to be incurred by such party, as a Clinic Facility Expense, in accordance with any other express provision of this Agreement, then such expenditure or obligation (and all amounts payable with respect thereto) shall be deemed to be the expense, liability or obligation of the party making or incurring the same, and such expenditure or obligation shall not be treated as a Clinic Facility Expense. In addition, expenditures or obligations which are specified as either Manager's Expense or Physician Group's Expense (as defined respectively in Sections 6.16 and 7.3 hereof), shall not be treated as a Clinic Facility Expense.

ARTICLE 6. SERVICES TO BE PROVIDED BY MANAGER

Section 6.1. Performance of Management Functions. During the term of this Agreement, Manager shall provide or arrange for the services set forth in this Article, all in a manner consistent with the other terms of this Agreement and the high quality and standards as practiced by Physician Group (or its immediate predecessor) prior to the date of this Agreement designed to maximize efficiencies. Subject to each applicable Approved Budget and the other terms of this Agreement, Physician Group authorizes Manager to perform its services under this Agreement in whatever reasonable manner it deems reasonably appropriate to meet the day-to-day non-medical requirements of Physician Group's clinical and medical operations. Physician Group will not act in a manner that reasonably could prevent Manager from efficiently managing the day-to-day non-medical operations of Physician Group as set forth in this Agreement in a business-like manner.

Section 6.2. Payment of Clinic Facility Expenses. Manager shall timely pay all Clinic Facility Expenses, unless being appropriately contested in good faith. "Clinic Facility Expenses" shall mean all operating and non-operating expenses incurred in the operation of the Clinic Facilities and Physician Group's medical practice, but only to the extent (i) specified in or clearly contemplated by an applicable Approved Budget, (ii) permitted to be paid or incurred pursuant to Section 5.3 above, or (iii) permitted or required to be paid or incurred as a Clinic Facility Expense by any other express provision of this Agreement. Without limitation, but subject to the preceding sentences and the other express terms of this Agreement, Clinic Facility Expenses shall include:

- (a) the salaries, benefits and other direct costs of all employees of Manager at any Clinic Facility, and the salaries, benefits and other direct costs of all Practice Employees (as defined in Section 7.5), but not the salaries, benefits or other direct costs of the Physician Employees (as defined in Section 7.4);

(b) the direct cost of any consultant retained to provide services at or in connection with any Clinic Facility, it being understood that prior approval by Manager or Physician Group of the engagement of any such consultant shall be obtained from the other party to the extent such engagement is not expressly contemplated by the applicable Approved Budget;

(c) reasonable recruitment costs and out-of-pocket expenses associated with the recruitment of additional Physician Employees or Practice Employees of Physician Group;

(d) malpractice insurance expenses for Physician Group, Physician Employees, Practice Employees, Manager, and any nonphysician employees of either Manager or Physician Group that provide services at the Clinic Facilities, as well as comprehensive and general liability insurance covering any Clinic Facility and employees of Physician Group and Manager at any Clinic Facility;

(e) the expense of using, maintaining, leasing, purchasing, licensing or otherwise procuring the Clinic Facilities and related equipment and systems, including, without limitation, rent expense on operating leases, depreciation and amortization of capital assets (as determined in accordance with generally accepted accounting principles ("GAAP")), interest expense (but not principal) incurred to finance the procurement of capital assets (whether by purchase or by capital lease), reasonable imputed interest (not to exceed the best interest rates available to Manager under any then existing credit facility or lending arrangement to which Manager is a party) on capital advanced by Manager to finance the procurement of capital assets (whether by purchase or by capital lease), and licensing fees and other similar expenses incurred to obtain and maintain clinical information systems; provided, however, that, except as otherwise provided below in this Section 6.2(e), Clinic Facility Expenses shall not include the "Acquisition Consideration" (as such term is defined in that certain Agreement and Plan of Merger, dated as of June 26, 1998, among Pediatric Physician Alliance, Inc. ("PPA"), Manager and Manager's shareholders (the "Merger Agreement")) paid by PPA pursuant to the Merger Agreement and shall not include interest on indebtedness incurred by PPA to finance the payment of such Acquisition Consideration; provided, further, however, that Clinic Facility Expenses shall include depreciation of the net book value of tangible personal property acquired by PPA from Manager pursuant to the Merger Agreement;

(f) costs related to capitation revenue allocated by the Governance Board for the purchase of professional medical services or health care services from medical or health care providers not associated with Physician Group;

(g) the reasonable travel expenses (except for the corporate staff of Manager) associated with attending meetings, conferences, or seminars by Physician Employees, Practice Employees or personnel of Manager assigned to the Clinic Facilities for the benefit of Physician Group and its medical practice;

(h) the cost of Medical Supplies (as defined in Section 6.6), office supplies, inventory and utilities other than those Medical Supplies or medical inventory acquired by PPA pursuant to the Merger Agreement;

(i) Physician Group's pager and cellular telephone rental and monthly service expenses that are reasonably related to the conduct of Physician Group's medical practice;

(j) reasonable costs and expenses of complying with continuing professional education requirements imposed by law (including continuing medical education course registration fees, lodging and meals);

(k) reasonable costs associated with membership in the American Academy of Pediatrics, the American Medical Association and one local chamber of commerce organization;

(l) personal property and intangibles taxes assessed against assets owned by Manager and used by Physician Group. Such personal property and intangible taxes shall be paid by Manager and, notwithstanding anything in this Agreement to the contrary, shall be treated as a Clinic Facility Expense without regard to whether such taxes were included, in whole or in part, in an Approved Budget; and

(m) other expenses that are approved by the Governance Board as being Clinic Facility Expenses.

Section 6.3. Medical Service Development. Manager realizes that the Clinic Facilities have opportunities to provide new medical services and utilize new technologies that will require capital expenditures and Manager anticipates that such opportunities may include new and replacement equipment as may be economically justified. Development of new medical services will depend on, among other factors, Physician composition, anticipated volume, reimbursement and number of Physicians, Physician support, Clinic Facility performance and appropriate Physician specialty mix, subject to the requirements of any applicable leases and subleases.

Section 6.4. Clinic Facility Expansion. To assist Physician Group in its plan to expand the Clinic Facilities through the addition of new Physicians, equipment and facilities, Manager will use its reasonable efforts to support recruitment of Physician Employees and to acquire additional equipment and facilities, all as may be mutually agreed upon by Manager and Physician Group.

Section 6.5. Audits and Tax Returns.

(a) Manager shall prepare or cause to be prepared and shall deliver to Physician Group within 90 days following the end of each calendar year annual financial statements for the operations of the Clinic Facilities. If Physician Group and Manager each desire an audit, then the cost of such audit shall be a Clinic Facility Expense. If Physician Group or Manager, but not both, desires an audit and the other party, in its sole discretion, has elected not to obtain an audit, then the party desiring such an audit may obtain it at its own expense. Manager shall prepare (i) monthly and quarterly unaudited financial statements with respect to Clinic Facilities operations, in accordance with GAAP (except that such financial statements shall not include footnotes or year-end adjustments), which such monthly and quarterly financial statements shall include, among other items, a statement of Clinic Facility Expenses and Physician Group Revenues for each such month or quarter and for the year to the end of such month or quarter. Each such monthly and quarterly financial statements shall be delivered to Physician Group within thirty (30) days after the close of each calendar month or calendar quarter, as the case may be. If Manager's independent accountants are engaged to prepare the tax return of Physician Group, at Physician Group's request, then the cost of preparing such information shall be paid by Manager as a Clinic Facility Expense, but Physician Group shall be solely responsible for the payment of its local, state and federal income and payroll taxes together with any penalties and interest on such taxes.

(b) In addition to the financial statements to be provided in accordance with Section 6.5(a) above, Manager shall provide Physician Group with such other information or reports reasonably requested by Physician Group from time to time, to the extent related to Physician Group, Manager's provision of services pursuant to this Agreement and/or the provision of medical services by Physician Group, but only to the extent that such information or reports are readily compilable from the records maintained or required to be maintained by Manager pursuant to this Agreement.

Section 6.6. Inventory and Supplies.

(a) To the extent permissible under law, and to the extent consistent with the applicable Approved Budget or otherwise permitted in accordance with Section 5.3 above, Manager shall order and purchase, from time to time, inventory and Medical Supplies (as defined below), and such other ordinary, necessary or appropriate other supplies and materials that Manager, in its reasonable discretion, shall deem necessary or appropriate in the operation of the Clinic Facilities and that are reasonably requested by Physician Group to deliver quality medical services in a cost-effective manner. The ultimate oversight, supervision and ownership for all Medical Supplies is and shall remain the sole responsibility of Physician Group. As used in this Agreement, "Medical Supplies" means all drugs, pharmaceuticals, products, substances, items or devices whose purchase, possession, maintenance, administration, prescription or security requires the authorization or order of a licensed health care provider or requires a permit, registration, certification or other governmental authorization held by a licensed health care provider as specified under any federal and/or State law.

(b) To the extent permissible under law and to the extent consistent with the applicable Approved Budget or otherwise permitted in accordance with Section 5.3 above, Manager shall provide Physician Group, and each Clinic Facility, with those items of furniture, fixtures and equipment that Manager shall deem in its reasonable discretion necessary or appropriate in the operation of the Clinic Facilities. To the extent consistent with the applicable Approved Budget or otherwise permitted in accordance with Section 5.3 above, Manager shall be responsible for all routine repairs and maintenance of such furniture, fixtures and equipment. In addition, Manager shall be responsible for all non-routine and/or emergency repairs of such furniture, fixtures and equipment, which costs shall be treated (notwithstanding anything in this Agreement to the contrary) as Clinic Facility Expenses regardless of the amount budgeted therefor in the applicable Approved Budget.

Section 6.7. Management Services and Administration.

(a) Physician Group appoints Manager as its sole and exclusive manager and administrator of all day-to-day business functions subject to the terms of this Agreement. Physician Group agrees that the purpose and intent of this Agreement is to relieve Physician Group, its stockholders and Physician Employees to the maximum extent possible of the administrative, accounting, personnel and business aspects of their practice, with Manager assuming responsibility and being given all necessary authority to perform these functions. Manager agrees that Physician Group and only Physician Group will perform the medical functions of Physician Group's practice. Manager will have no authority, directly or indirectly, to perform, and will not perform, any medical function. Manager may, however, advise Physician Group as to the relationship between its performance of medical functions and the overall administrative and business functioning of Physician Group's practice.

Manager agrees that for the term of this Agreement, it shall not enter into a management services agreement or any agreement or arrangement similar to this Agreement with or otherwise provide management services or substantially similar services to any other pediatrician or pediatric medical practice which provides professional pediatric medical services in either Orange or Seminole County, Florida, unless: (i) approved in writing by Physician Group in its sole discretion; or (ii) (A) Manager shall have first offered Physician Group an opportunity to hire such other pediatrician or the physicians of such other pediatric medical practice and (B) Physician Group does not approve hiring such other pediatrician or physicians within thirty (30) days after delivery of such notice or does not consummate the hiring of such other pediatricians or physicians within one hundred twenty (120) days after delivery of such notice.

(b) Manager shall, on behalf of Physician Group, use all commercially reasonable efforts to bill patients and collect the professional fees for medical services rendered by Physician Group in the Clinic Facilities, for services performed outside the Clinic Facilities for Physician Group's hospitalized patients, and for all other professional and Clinic Facilities services. Manager shall use all reasonable business efforts and practices in order to maximize the collection of all professional fees. Physician Group appoints Manager for the term of this Agreement to be its true and lawful attorney-in-fact, for the following purposes: (i) to bill patients in Physician Group's name and on its behalf; (ii) to collect accounts receivable resulting from such billing in Physician Group's name and on its behalf; (iii) to receive payments from Blue Cross/Blue Shield, Medicare, Medicaid, insurance companies, prepayments received from health care plans and all other third party payors in Physician Group's name and on its behalf for deposit in a bank account in the name of and under the sole and exclusive control of Physician Group (the "Physician Group Account"); (iv) to take possession of, endorse in the name of Physician Group (and/or in the name of an individual Physician Employee, such payment intended for purpose of payment of a Physician Employee's bill), and deposit in the Physician Group Account any notes, checks, money orders, insurance payments and other instruments received in payment of accounts receivable; and (v) subject to prior written approval by Physician Group, to initiate the institution of legal proceedings in the name of Physician Group to collect any accounts and monies owed to Physician Group, to enforce the rights of Physician Group as creditor under any contract or in connection with the rendering of any service, and to contest adjustments and denials by governmental agencies (or fiscal intermediaries) and third-party payors. The performance of all billing and collection functions by Manager shall comply in all material respects with state and federal statutes, regulations and directives applicable to such functions. All payments of or in respect to professional fees for medical services rendered by Physician Group shall be made to and shall first be deposited into the Physician Group Account. The bank in which the Physician Group Account is located shall be a bank that is not providing financing to Physician Group or acting on behalf of another party in connection with such financing. Physician Group shall instruct the bank in which the Physician Group Account is located to "sweep" (on a daily basis) such payments into a bank account at a bank in Phoenix, Arizona in the name of and designated by Manager ("Manager's Account"). Such instructions shall be revocable at the sole instruction of Physician Group; provided, however, that the revocation of such instructions by Physician Group shall constitute an immediate material default by Physician Group under this Agreement which, if not cured within two (2) business days after written notice from Manager, shall entitle Manager to immediately terminate this Agreement as provided in Article 12 hereof.

Notwithstanding the foregoing to the contrary: (i) all payments received with respect to services rendered by Physician Group or any Physician Employee or Practice Employee which do not constitute Physician Group Revenues, if any, shall not be deposited in the Physician Group Account and shall not be transferred to Manager's Account, but shall be deposited, for the sole benefit of Physician Group, in such account or accounts as Physician Group, in its sole discretion, shall determine; and (ii) the payment disposition instructions as they relate to billing and collecting for professional or ancillary services covered by Medicare or Medicaid, and the use of the Physician Group Account with respect thereto, shall be modified from time to time to be in compliance with applicable Medicare and Medicaid rules and regulations governing reassignment of Medicare or Medicaid benefits, in each case to the extent deemed necessary by Manager (in Manager's reasonable discretion) and in a manner reasonably satisfactory to Manager.

(c) Manager shall maintain clear and accurate accounting records of all funds deposited to or withdrawn from the Physician Group Account and Manager's Account, including clear and accurate accounting records of all such disbursements, and shall make all such records available for inspection and copying by Physician Group (at Physician Group's expense) upon reasonable notice and during normal business hours and, as to Manager's Account, only to the extent the same directly relates to Manager's performance under this Agreement, in each case, subject to the confidentiality provisions of Article 8.

(d) Manager shall supervise and maintain custody of all files and records relating to the business operation of the Clinic Facilities, including, without limitation, accounting, billing, patient medical records and collection records. Patient medical records shall at all times be and remain the property of Physician Group and shall be located at the Clinic Facilities so that they are readily accessible for patient care. The management of all files and records shall comply with applicable local, state and federal statutes and regulations and shall adhere to all laws, rules and regulations covering physician/patient privilege. Physician Group shall have the right to examine or audit (at Physician Group's expense) any or all of such records or books of account upon reasonable notice, during normal business hours. Manager shall preserve, and shall cause its employees, agents or representatives to preserve, the confidentiality of patient medical records and shall use information contained in such records only for the limited purpose necessary to perform the services set forth in this Agreement. Manager shall be responsible for damages resulting from a breach of the foregoing due to its or its employees', agents' or representatives' gross negligence or willful misconduct; provided, however, in no event shall a breach of said confidentiality be deemed a default under this Agreement unless such breach (i) is willful, (ii) has a material adverse effect on the continued existence or business operations of Physician Group and (iii) is not cured by Manager within the time periods set forth in Section 12.3(b) of this Agreement.

(e) To the extent the costs and expenses thereof are included as a Clinic Facility Expense in the applicable Approved Budget or are otherwise treated as a Clinic Facility Expense, Manager shall insure that the Physician Group has available all reasonably necessary clerical, accounting, bookkeeping and computer services, printing, postage and duplication services, medical transcribing services and any other ordinary, necessary or appropriate service for the operation of the Clinic Facilities and Physician Group's medical practice.

(f) Manager shall, subject to the provisions of Section 3.2(c), design and implement an appropriate public relations program on behalf of Physician Group, with

appropriate emphasis on public awareness of the availability of services at the Clinic Facilities; provided, however, that notwithstanding anything to the contrary contained in this Agreement, the direct costs of marketing Physician Group within its service area shall be a Clinic Facility Expense. The public relations program shall be conducted in compliance with applicable laws and regulations governing advertising by the medical profession.

(g) At Physician Group's request, Manager shall assist Physician Group in recruiting additional physicians or Practice Employees by carrying out such administrative functions as may be reasonably appropriate such as advertising for and identifying potential candidates, checking credentials and arranging interviews; provided, however, that notwithstanding anything to the contrary contained in this Agreement, the direct costs thereof (e.g., advertising fees) shall be a Clinic Facility Expense; and provided further, however, that Physician Group shall interview and make the ultimate decision as to the suitability of any physician or Practice Employee to become associated with the Physician Group. All physicians and Practice Employees hired by Physician Group shall be the direct employees of Physician Group.

(h) Manager shall negotiate and administer all managed care and other similar payor contracts on behalf of Physician Group (including, without limitation, those requested by Physician Group) and shall consult with Physician Group on all professional or clinical matters relating to such contracts; provided, however, that all such contracts shall be subject to the approval of Physician Group, which approval shall not be unreasonably withheld, conditioned or delayed.

(i) Manager shall negotiate for and cause premiums to be paid with respect to the insurance required by Section 11.1; provided, however, Physician Group shall have the right to approve of professional liability insurance coverage, which approval shall not be unreasonably withheld, conditioned or delayed. Manager shall track the status and payment of claims filed against Physician Group or any Physician Employee or Practice Employees which are covered by such insurance. Notwithstanding anything to the contrary in this Agreement, all premiums with respect to such policies shall be a Clinic Facility Expense regardless of the amount budgeted therefor.

(j) Manager shall provide Physician Group ongoing assessment of the business activities of Physician Group with respect to its medical practice, including outcomes monitoring and patient satisfaction, all to the extent reasonable and customary in the pediatric medical practice industry.

Section 6.8. Personnel. Manager shall provide professional management and administrative personnel, clerical, secretarial, bookkeeping and collection personnel reasonably necessary or appropriate for the conduct of the Clinic Facilities operations. To the extent consistent with an applicable Approved Budget or to the extent otherwise permitted in accordance with Section 5.3 above, Manager shall determine and cause to be paid (as a Clinic Facility Expense) the salaries and fringe benefits of all such personnel. Such personnel shall be under the direction, supervision and control of Manager, and shall be employees of Manager. Such personnel shall provide, as part of their services with respect to Physician Group, payroll processing and payroll accounting for Physician Employees and Practice Employees.

If, after hiring an employee, Physician Group is dissatisfied with the services of such employee other than a Practice Employee or a Physician Employee, Physician Group shall consult with Manager and advise Manager with respect to such dissatisfaction. Manager shall in

good faith determine whether the performance of that employee could be brought to acceptable levels through counsel and assistance, or whether the employment of such employee should be terminated. Subject to applicable employment laws, rules and regulations, all of Manager's obligations regarding staff shall be governed by the overriding principle and goal of providing quality medical care. Employee assignments shall be made to promote consistent and continued rendering of quality medical support services and to provide prompt availability and accessibility of individual medical support personnel to Physician Employees in order to develop constant, familiar and routine working relationships between individual Physician Employees and individual members of the medical support personnel. Manager shall maintain established working relationships wherever possible and Manager shall make every reasonable effort consistent with sound business practices to honor the specific requests of Physician Group with regard to the assignment of its employees.

Section 6.9. Compliance with Applicable Laws. Manager shall comply with all applicable federal, state and local laws, regulations and restrictions in the conduct of its obligations under this Agreement.

Section 6.10 Utilization Management and Review. Manager, at Physician Group's reasonable request, shall assist Physician Group in implementing and maintaining a system for utilization management and review in accordance with the reasonable written policies and procedures relating to utilization management adopted by Physician Group; provided, however that any medical decisions regarding the necessity or appropriateness of treatment and admissions of patients of Physician Group shall be made by Physician Group.

Section 6.11 Scheduling. Manager, as may be reasonably requested from time to time by Physician Group, shall assist with the scheduling of Physician Employees or Practice Employees and, if necessary, Manager's employees assigned to the Clinic Facilities, to fulfill the medical service obligations of Physician Group or any of its Physician Employees, including the on call obligations with respect to hospital services by Physician Group.

Section 6.12 Business and Other Advice. Manager shall arrange for or render to Physician Group, to the extent reasonably requested by Physician Group, legal services in connection with the review and analysis of payor contracts (including managed care contracts), employment contracts and other usual and customary contracts that arise in the ordinary course of operating the Clinic Facilities. Manager shall also provide Physician Group with such general business advice as may be reasonably requested by Physician Group, to the extent the same (i) directly relates to the operation of the Clinic Facilities or Physician Group's medical practice, (ii) relates to usual and customary matters that arise in the ordinary course of operating the Clinic Facilities and (iii) is consistent with the type and amount of business advice that Manager (or its affiliates) provides to other managed physician groups; provided, however, that nothing in this sentence shall require Manager to hire outside consultants or other third party advisors unless the same is specifically included in the applicable Approved Budget. In addition, to the extent the costs and expenses thereof are included in the applicable Approved Budget as a Clinic Facility Expense or are otherwise treated as a Clinic Facility Expense, Manager shall arrange for or render to Physician Group such business, legal and financial management consultation and advice as may be reasonably required or requested by Physician Group to the extent directly related to the operation of the Clinic Facilities or Physician Group's medical practice.

Section 6.13 Quality Assurance/Assessment and Credentialing. To the extent not provided by the Clinical Board, Manager shall implement and maintain, on a continuing basis, such reasonable quality assurance/assessment programs as may be adopted and approved by Physician Group to provide objective measurement of the quality of healthcare services provided

by Physician Group; provided, however that any medical decisions regarding quality of healthcare services rendered by Physician Employees or Practice Employees shall be made by Physician Group. Manager's services with respect thereto shall include preparing forms and other documentation, training quality assurance personnel and conducting patient questionnaires and interviews, physician questionnaires and interviews and inspections to ascertain compliance with Physician Group's quality assurance program, all to the extent reasonable and customary in the pediatric medical practice industry. Manager shall also provide reasonable assistance to Physician Group in the development and implementation of peer review procedures for Physician Employees and Practice Employees, including reviewing credentialing applications and forms of Physician Group and monitoring the continuing medical education activities of Physician Employees to determine the extent to which Physician Employees are remaining current in their respective specialties, including, but not limited to, the minimum continuing medical education requirement(s) imposed by applicable laws and policies of applicable boards.

Section 6.14 Joint Purchasing. Manager agrees to use all commercially reasonable efforts to purchase, lease or otherwise acquire facilities, equipment, supplies, inventory, goods, furniture, fixtures, insurance of any type, services and other items required to be obtained by Manager for Physician Group pursuant to the terms of this Agreement at the most favorable rates available, utilizing Manager's or its affiliates' purchasing power.

Section 6.15 Non-Interference. Manager shall not take, or permit any affiliate of Manager to take, any action which interferes with the conduct of Physician Group's medical practice or otherwise prevents Physician Group from operating its medical practice in the ordinary course; provided, however, that in no event shall any action required or permitted to be taken by Manager or its affiliates pursuant to the terms of this Agreement be considered to violate the terms of this Section 6.15.

Section 6.16 Manager's Expenses. Manager shall be solely responsible for the payment of Manager's Expenses. No portion of Manager's Expenses shall be treated as a Clinic Facility Expense. "Manager's Expenses" shall mean the following costs and expenses paid or incurred by Manager or any affiliate thereof either in connection with Manager's performance pursuant to this Agreement or otherwise except to the extent that any portion of the following costs and expenses are specifically identified as Clinic Facility Expenses or Physician Group Expenses in this Agreement or in an applicable Approved Budget:

- (i) general and administrative charges and overhead costs of Manager (or any affiliate thereof), including all costs incurred by Manager in consolidating billing and collection procedures (including those to be provided hereunder) into a central location;
- (ii) all expenses paid or incurred by Manager or any of its employees, agents or representatives, in connection with its management and operation of the Clinic Facilities and Physician Group's medical practice pursuant to this Agreement, other than (1) such expenses as may be authorized or approved by Physician Group in writing, (2) those expenses specified in or clearly contemplated by an applicable Approved Budget or otherwise permitted to be paid or incurred in accordance with Section 5.3 above, and (iii) those expenses which, pursuant to any other express provision of this Agreement, are treated as Clinic Facility Expenses or Physician Group Expenses;
- (iii) all costs, fees and expenses which, pursuant to any other express provision of this Agreement, are to be paid by Manager, as Manager's Expense;

(iv) all internal costs of Manager or its affiliates (including non-clinic based computer usage and personnel expenses for non-clinic based personnel) incurred in connection with the performance of Manager's obligations hereunder;

(v) any amortization expense of PPA (or any affiliate of PPA) for "goodwill" of Manager "purchased" or acquired in connection with the Merger or resulting from the amortization of costs incurred in connection with the execution of this Agreement or the Merger Agreement;

(vi) principal and interest on indebtedness incurred by PPA (or any affiliate thereof) to finance, in whole or in part, the payment of the Acquisition Consideration;

(vii) federal, state or local income or other taxes of Manager (other than those taxes that are identified as Clinic Facility Expenses in Section 6.2 hereof) and the cost of preparing any such tax returns of Manager, and the cost of defending against any such taxes or any controversy involving any such taxes;

(viii) principal on indebtedness incurred by Manager to finance the acquisition of real or tangible personal property, provided that the depreciation expense of such property is treated as a Clinic Facility Expense.

Section 6.17. Practice of Medicine. The parties acknowledge that Manager is not authorized or qualified to engage in any activity that may be construed or deemed to constitute the practice of medicine nor does Manager intend to engage in any activity that may be deemed to constitute the practice of medicine. To the extent any act or service required to be performed by Manager pursuant to this Agreement should be construed by a court of competent jurisdiction or by any applicable board of medical licensure to constitute the practice of medicine, the requirement to perform that act or service by Manager shall be deemed waived and unenforceable.

Section 6.18. No Warranty. Physician Group acknowledges that Manager has not made and will not make any express or implied warranties or representations that the services provided by Manager will result in any particular amount or level of medical practice or income to Physician Group.

Section 6.19. Notice Concerning Effect on Operations or Financial Condition. Manager shall give Physician Group notice within five (5) business days after Manager has knowledge of the occurrence, or failure to occur, of any event that is reasonably likely to have a material adverse effect on the operations or financial condition of Manager and its affiliates, taken as a whole. Within five (5) days after request for the same from Physician Group, which request Physician Group may give from time to time, Manager shall give to Physician Group a written certificate certifying that Manager has no knowledge of the occurrence, or failure to occur, of any event that is reasonably likely to have a material adverse effect on the operations or financial condition of Manager and its affiliates, taken as a whole, since the most recently-provided certificate (or, if no such certificate has yet been provided, since the date of this Agreement), or describing in detail any such event or events and the likely material adverse effect of the same.

Section 6.20 Notice of Certain Other Material Events. Manager shall give Physician Group prompt notice of (i) the occurrence, or failure to occur, of any event that such party believes would be likely to cause (x) any of the representations or warranties of Manager contained in this Agreement to be untrue or inaccurate in any material respect at any time from the date of this Agreement or (y) any covenant, condition or agreement contained in this

Agreement not to be complied with or satisfied in all material respects, (ii) any failure of Manager, or any officer, director, employee or agent of Manager, to comply with or satisfy in all material respects any covenant, condition or agreement to be complied with or satisfied by it under this Agreement, (iii) any event of default under any agreement with respect to indebtedness for borrowed money or a purchase money obligation, and any event that, upon notice or lapse of time or both, would constitute such an event of default, in each case which event of default would permit the holder of such indebtedness or obligation to accelerate the maturity of such indebtedness, or (iv) any action, suit or proceeding at law or in equity or by or before any governmental instrumentality or agency that, if adversely determined, would materially impair the right of Manager to carry on its business substantially as then conducted, or would have a material adverse effect on Manager and its affiliates, taken as a whole.

ARTICLE 7. OBLIGATIONS OF PHYSICIAN GROUP

Section 7.1. Professional Services. Physician Group shall provide professional medical services to patients at the Clinic Facilities in compliance at all times with ethical standards, laws and regulations applying to the medical profession. Physician Group shall ensure that each physician associated with Physician Group to provide medical care to patients of Physician Group is duly licensed and in good standing under all applicable laws, rules and regulations. If any disciplinary actions or medical malpractice actions are initiated against any such physician, then Physician Group shall immediately by written notice inform Manager of such action and the underlying facts and circumstances. Physician Group shall carry out a written program to monitor the quality of medical care practiced at the Clinic Facilities, which program shall be developed with the assistance of Manager's Clinical Board and shall from time to time be subject to review and approval by the Clinical Board.

Section 7.2. Medical Practice. Physician Group shall use and occupy the Clinic Facilities pursuant to and in compliance with the terms of all applicable lease agreements in the practice of medicine and other uses permitted by the terms of such lease agreements, and shall comply with all applicable local rules, ordinances and all recognized standards of medical care. The medical practice or practices conducted at the Clinic Facilities shall be conducted solely by Physician Employees of Physician Group, and no other physician or medical practitioner shall be permitted to use or occupy the Clinic Facilities without the prior written consent of Manager. As a continuing condition of Manager's obligations under this Agreement, each Physician Employee and any other physician or medical personnel retained by Physician Group to provide medical services must (i) comply with, be controlled and governed by and otherwise provide medical services in accordance with applicable federal, State and municipal laws, rules, regulations, ordinances and orders, and the ethics and standard of care of the medical community in which the principal office of such physician or medical personnel is located and (ii) obtain and retain appropriate medical staff membership with appropriate clinical privileges at any hospital or health care facility at which medical services are to be provided. Procurement of temporary staff privileges pending the completion of the medical staff approval process shall satisfy this provision, provided the physician actively pursues full appointment and actually receives full appointment within a reasonable time.

Section 7.3 Payment of Physician Group Expenses. Physician Group shall be solely responsible for the payment of all Physician Group Expenses. No portion of Physician Group Expenses shall be treated as a Clinic Facility Expense. As used in this Agreement, except as specifically provided otherwise in Section 6.2 above, "Physician Group Expenses" means:

- (a) any federal, state or local income taxes of Physician Group and the costs of defending against any such tax or controversy involving any such tax;

(b) Physician Employees' (i) salaries and bonuses, (ii) other IRS Form W-2 income, (iii) IRS Form 1099 income, (iv) payroll taxes, (v) workers' compensation insurance premiums, and (vi) fringe benefits, including, without limitation, cafeteria plan expenses, retirement plan contributions, home office telephone expenses, automobile expenses (including, without limitation, car allowances, car rental expenses, gas, oil, maintenance, repairs, automobile liability and collision insurance and the entire cost of all uninsured automobile accidents), aircraft and air flight expenses;

(c) Life, health and disability income insurance premiums for coverage of Physician Employees and their dependents;

(d) Costs of membership fees, assessments and dues in professional organizations, business groups, civic organizations and golf, tennis or country clubs and similar organizations;

(e) All costs and expenses associated with accounting, actuarial, legal and benefit plan administration incurred by or on behalf of Physician Group if not expressly treated as a Clinic Facility Expense in this Agreement or specified in or clearly contemplated by an applicable Approved Budget;

(f) Uninsured malpractice claims against Physician Group, any of its employees or independent contractors (including, without limitation, claims in excess of the limits of any policy of professional liability insurance covering Physician Group and its employees and independent contractors), all uninsured legal costs and other expenses in defense of such claims and all uninsured malpractice liability judgments (including, without limitation, judgments in excess of the limits of any policy of professional liability insurance covering Physician Group and its employees and independent contractors), and interest on such judgments, assessed against Physician Group or any of its employees or independent contractors, and deductibles under any policy of professional liability insurance covering Physician Group and its employees and independent contractors;

(g) Direct personal expenses of Physician Employees, including, without limitation, (i) personal use of pager and cellular telephone, personal dry cleaning, home office expenses, home computer costs and expenses, food, beverage, entertainment, travel and lodging expenses, and (ii) expenses of Manager or Physician Group employees or independent contractors providing personal services to particular Physician Employees or their family members; and

(h) All expenses itemized as a Physician Group Expense in an applicable Approved Budget, and all expenses incurred by Physician Group for accounting, legal or consulting services that are not itemized as a Clinic Facility Expense in an Approved Budget, unless approved in writing in advance by Manager.

Section 7.4. Employment of Physician Employees. Physician Group shall have complete control of and responsibility for the hiring, scheduling, compensation, supervision, evaluation and termination of its Physician Employees (as defined below), and for enforcement of the terms of employment agreements with such employees. As used in this Agreement, "Physician Employees" means those individuals who are employees or shareholders of Physician Group or are otherwise under contract with Physician Group to provide professional medical services to patients of Physician Group and are duly licensed to provide professional medical services in the State of Florida. With respect to Physician Employees, Physician Group shall

only employ and contract with licensed physicians meeting applicable credentialing guidelines established by Physician Group as well as in compliance with the provisions of this Agreement.

Section 7.5. Employment of Practice Employees. Physician Group shall have complete control of and responsibility for the hiring, scheduling, compensation, supervision, evaluation and termination of its Practice Employees (as defined below), and for enforcement of the terms of employment agreements with such employees. As used in this Agreement, "Practice Employee" means (a) individuals, other than Physician Employees, who provide medical services to patients of Physician Group that are separately billed and that, under federal, state or local law, regulation or policy, are required to be employees of Physicians Group and not of Manager (including, without limitation, nurse practitioners, physician assistants and surgical assistants), and (b) individuals, other than physicians, who by reason of their job description or actual function, provide services to patients of Physician Group that, under federal, state or local law, regulation or policy, must be billed through and by a licensed physician and who for that reason are required to be employees of Physician Group and not of Manager. The parties mutually acknowledge and agree that it is Manager's intention to employ all clinic based personnel that Manager can legally employ under applicable federal, state and local law, regulation and policy. Physician Group shall ensure that each of its Practice Employees possesses and maintains all licenses and certifications necessary for such Practice Employee to provide those medical services required to be provided by his or her job description.

Section 7.6. Continuing Medical Education. Physician Group shall ensure that each of its Physician Employees participates in such continuing medical education as is necessary for such physician to practice medicine consistent with recognized and acceptable standards of professional practice.

Section 7.7. Professional Insurance Eligibility. Physician Group shall cooperate in the obtaining and retaining of professional liability insurance by using its best efforts to assure that its Physician Employees and Practice Employees are insurable and by participating in an on-going risk management program. In the event that any Physician Employee or Practice Employee becomes uninsurable, Physician Group shall promptly notify Manager of same and shall terminate the employment of such employee within thirty (30) days thereafter.

Section 7.8. Peer Review/Quality Assurance. Physician Group shall adopt and comply with a written peer review/quality assessment program to monitor and evaluate the quality and cost-effectiveness of medical services provided by physician personnel of Physician Group, which program shall from time to time be subject to review by the Governance Board.

Section 7.9. Employment of Clinical Employees. Physician Group shall employ and supervise all Practice Employees reasonably necessary to provide efficient and quality medical care to patients of Physician Group. All salaries, compensation and benefits paid to or with respect of such Practice Employees shall be treated as a Clinic Facility Expense.

Section 7.10. Notice Concerning Effect on Operations or Financial Condition. Physician Group shall give Manager notice within five (5) business days after Physician Group has knowledge of the occurrence, or failure to occur, of any event that is reasonably likely to have a material adverse effect on the operations (as now or then conducted) or financial condition of Physician Group. Within five (5) days after request for the same from Manager, which request Manager may give from time to time, Physician Group shall give to Manager a written certificate certifying that Physician Group has no knowledge of the occurrence, or failure to occur, of any event that is reasonably likely to have a material adverse effect on the operations (as now or then conducted) or financial condition of Physician Group since the most recently-

provided certificate (or, if no such certificate has yet been provided, since the date of this Agreement), or describing in detail any such event or events and the likely material adverse effect of the same.

Section 7.11 Notice of Certain Other Material Events. Physician Group shall give Manager prompt notice of (i) the occurrence, or failure to occur, of any event that such party believes would be likely to cause (x) any of the representations or warranties of Physician Group contained in this Agreement to be untrue or inaccurate in any material respect at any time from the date of this Agreement or (y) any covenant, condition or agreement contained in this Agreement not to be complied with or satisfied in all material respects, (ii) any failure of Physician Group, or any officer, director, employee or agent of Physician Group, to comply with or satisfy in all material respects any covenant, condition or agreement to be complied with or satisfied by it under this Agreement, (iii) any event of default under any agreement with respect to indebtedness for borrowed money or a purchase money obligation, and any event that, upon notice or lapse of time or both, would constitute such an event of default, in each case which event of default would permit the holder of such indebtedness or obligation to accelerate the maturity of such indebtedness, or (iv) any action, suit or proceeding at law or in equity or by or before any governmental instrumentality or agency that, if adversely determined, would materially impair the right of Physician Group to carry on its business substantially as now or then conducted, or would have a material adverse effect on Physician Group.

Section 7.12. Non-Interference. Physician Group shall not take, or permit any affiliate of Physician Group to take, any action which interferes with the conduct of Manager's business or otherwise prevents Manager from performing its obligations under this Agreement or operating its business in the ordinary course; provided, however, that in no event shall any action required or permitted to be taken by Physician Group or its affiliates pursuant to the terms of this Agreement be considered to violate the terms of this Section 7.12.

ARTICLE 8. RESTRICTIVE COVENANTS

The parties recognize that the practice management services to be provided by Manager shall be feasible only if Physician Group operates an active medical practice to which the physicians associated with Physician Group devote their full time and attention.

Section 8.1. Confidential and Proprietary Information. Manager confidential and proprietary information ("Confidential Information") means all or any portion of information or compilation of information, developed, licensed, purchased or otherwise obtained by or belonging to Manager (other than patient files and charts), whether or not provided or developed in connection with the performance of services under this Agreement, including, without limitation, any financial, medical, operational, scientific or technical information, design, process, procedure, formula, improvement, system, manuals, devices, computer software or hardware, the terms of any payor agreements, business plans, policies or procedures, case management and quality improvement programs and medical or clinical treatment protocols or standards, however stored or recorded, including, without limitation, in written, oral, graphic, or pictorial form, computer discs or hard drives, magnetic tape, digital or any other electronic medium. However, Confidential Information does not mean and include payor agreements, case management and quality improvement programs and medical or clinical treatment protocols or standards that have been or will be developed solely by Physician Group, or information that (i) is or subsequently becomes generally available to the public other than (x) as a result of disclosure, directly or indirectly, by Physician Group in violation of this Agreement or any other obligation of non-disclosure owed to Manager or (y) the breach of any obligation owed by any third party to Manager; (ii) prior to its disclosure to Physician Group, was within the possession

of or available to Physician Group on a non-confidential basis; (iii) is disclosed with the prior written approval of Manager; or (iv) is obligated to be produced under an order of a court of competent jurisdiction or a valid administrative, congressional or other subpoena, civil investigative demand or similar process; provided, however that upon issuance of any such order, subpoena, demand or other process, Physician Group shall promptly notify Manager and shall provide Manager an opportunity (if then available) to contest, at Manager's expense the propriety of such order or subpoena or to arrange for appropriate safeguards against further disclosure by the court or administrative or congressional body seeking to compel disclosure of such Confidential Information. In such event, Manager shall indemnify and hold harmless Physician Group from and against any and all losses, liabilities, expenses, fines, penalties and costs, including reasonable attorneys' fees, incurred, paid or suffered by Physician Group as a result of Manager's contesting any such order, subpoena, demand or other process.

(a) Physician Group acknowledges that Manager retains sole and complete ownership and all rights to Confidential Information and nothing contained in this Agreement shall be construed as a license or transfer of Confidential Information or any portion of it to or for the benefit of Physician Group, either during the term of this Agreement or thereafter, except to the extent that Physician Group purchases such Confidential Information pursuant to Section 12.5 below or otherwise. Upon termination or expiration of this Agreement, Manager shall have the right to remove and retain all Confidential Information, and Physician Group shall immediately upon request deliver to Manager all Confidential Information and all copies of Confidential Information.

(b) Physician Group acknowledges that Manager has and shall have invested a significant amount of its resources in obtaining, developing and maintaining Confidential Information and that its value may be diminished or destroyed if Physician Group or any associated physician discloses Confidential Information to a third party. Accordingly, Physician Group and all associated physicians shall strictly maintain the confidentiality of Confidential Information. Physician Group shall not duplicate or permit access to Confidential Information by any third party or to any of Physician Group's personnel except on a strict "need-to-know" basis and in the ordinary course of business. All such individuals shall be informed of the confidential nature of Confidential Information, will be explicitly directed by Physician Group not to disclose Confidential Information to any other person and will expressly agree to be bound by the obligations contained in this Section. Physician Group shall not loan, lease or otherwise permit the use of any Confidential Information by any other person or entity, regardless of its relationship to Physician Group. Physician Group agrees to use its best efforts to cause its officers, directors, employees, affiliates, advisors, agents, representatives, contractors and any others granted access to Confidential Information by Physician Group to observe the requirements of this Section. Physician Group shall immediately notify Manager of any suspected or actual breach of the requirements contained in this Section. The provisions of this Section shall survive any termination or expiration of this Agreement. Physician Group shall be responsible for damages resulting from a breach of the foregoing confidentiality requirement due to its or its employees', agents' or representatives' gross negligence or willful misconduct; provided, however, in no event shall a breach of said confidentiality be deemed a default under this Agreement unless such breach (i) is willful, (ii) has a material adverse effect on the continued existence or business operations of Manager and (iii) is not cured by Physician Group within the time periods set forth in Section 12.4(b) of this Agreement.

(c) The written employment agreements described in Section 8.2(d) shall contain covenants of all Physician Group employees to keep confidential, not to use or disclose and to return all records of, Confidential Information.

(d) Physician Group understands and acknowledges that Manager would be irreparably harmed by a breach of this Section and it may be difficult to estimate damages resulting from such a breach. Consequently, Manager shall be entitled to injunctive or such other equitable relief as may be appropriate to prevent a breach or threatened or continuing breach of this Section, and to secure the enforcement of its provisions, without the necessity of posting a bond (cash or otherwise, unless required by applicable law), and without foregoing any legal relief (including recovery of monetary damages) which Manager may otherwise be entitled to pursue. If any provision of this Section is held by a court of competent jurisdiction to be unenforceable for any reason, including, without limitation, an excessive time period or overly-broad description of Confidential Information, Physician Group and Manager agree that such provision shall be reformed so that such provision and this Section would be held enforceable. The foregoing shall be without prejudice to any applicable state or federal law protecting trade secrets or confidential information.

Section 8.2. Noncompetition. Physician Group acknowledges that Manager will incur substantial costs in providing the equipment, support services, personnel, management, administration, and other items and services that are the subject matter of this Agreement, and that in the process of providing practice management services under this Agreement, Physician Group will be privy to the Confidential Information as well as other financial and proprietary information, to which Physician Group would not otherwise be exposed. The parties also recognize that the practice management services to be provided by Manager will be feasible only if Physician Group operates an active medical practice to which the physicians associated with Physician Group devote their full professional time and attention. Physician Group agrees and acknowledges that the noncompetition covenants described in this Agreement are necessary for the protection of Manager, and that Manager would not have entered into this Agreement without the following covenants.

(a) During the term of this Agreement and except for its obligations pursuant to this Agreement, Physician Group shall not establish, operate or provide medical services at any medical office, clinic or other health care facility unless the same is subject to the terms of this Agreement. Notwithstanding the immediately preceding sentence, but nevertheless subject to all other provisions of this Sections 8.2, Manager agrees not to unreasonably withhold its consent to Physician Group's participation in certain charitable, educational and other community service related activities (including, without limitation, participation on boards and committees of health care organizations) or to Physician Group's participation in research, publishing, lecturing or expert witness activities, provided that such activities cannot reasonably be expected to interfere with or adversely affect the business of Physician Group or the performance of Physician Group's obligations under this Agreement, and provided further that such activities are performed in a manner and at a time that does not interfere with or adversely affect (i) the dedication by the Physician Employees and the Practice Employees of their full professional time and attention to the business of Physician Group or (ii) the performance by the Physician Employees and the Practice Employees of their full job responsibilities to Physician Group.

(b) Except as specifically agreed to by Manager in writing or as provided in Section 8.2(f) below, Physician Group covenants and agrees that during the term of this

Agreement and for a period of five (5) years from the date this Agreement is terminated, Physician Group shall not directly or indirectly (through its shareholders or otherwise) own (excluding ownership of less than one percent (1%) of the equity of any publicly traded entity), manage, operate, control, contract with or be otherwise associated with, lend funds to, lend its name to or maintain any interest whatsoever in any enterprise (i) having to do with the provision, distribution, promotion or advertising of any type of management or administrative services or products to pediatric physicians, physician groups, physician networks, medical facilities or medical practices in competition with Manager (or any of its affiliates) within the geographic area defined as a seven and one-half (7.5) mile radius of (x) any Clinic Facility, as determined from time to time, from which Physician Group provides medical services, or (y) any future facility from which Physician Group provides medical services that are subject to either this Agreement or another management service agreement with Manager (or any of its affiliates) (the "Practice Territory"); and/or (ii) offering any type of service(s) or product(s) to pediatric physicians, physician groups, physician networks, medical clinics or facilities or medical practices located in the Practice Territory substantially similar to the types of services or products offered by Manager (or any of its affiliates) in the Practice Territory. Notwithstanding the above restriction, nothing in this Agreement shall prohibit Physician Group or any of its shareholders from providing management and administrative services to its or their own medical practices after the termination of this Agreement.

(c) Physician Group also agrees that, during the term of this Agreement and for a period of five (5) years after the termination of this Agreement, Physician Group will not, directly or indirectly (through its shareholders or otherwise), for its own benefit or the benefit of others, induce, nor attempt to induce, any employee of Manager (or any of its affiliates) to terminate his or her association with any such party; provided, however, that this provision shall not apply to the obligation of Physician Group to rehire employees as provided in Section 12.5 below. Physician Group further agrees that, for a period of five (5) years after the termination of this Agreement, Physician Group will not, directly or indirectly (through its shareholders or otherwise), for its own benefit or the benefit of others, solicit any patient of any physician practice that has a management service agreement with Manager (or any of its affiliates) and that is located within the Practice Territory for the purpose of causing such patient to become a patient or prospective patient of any facility or medical practice not owned or managed by Manager or an affiliate of Manager. Notwithstanding the restriction in this Section 8.2(c), the publication of a notice or advertisement in a newspaper or magazine of general circulation setting forth the address at which the Physician Group or any of its shareholders or Physician Employees has established its new offices and the names of the physicians associated with such practice shall not constitute the solicitation of any such patients as long as such notice or advertisement does not make reference to Manager, any of Manager's affiliates or any other physician practice that obtains management or administrative services from Manager.

(d) Physician Group shall obtain and enforce formal written employment agreements with all of its present shareholder Physician Employees (as determined as of the commencement date of this Agreement) in the form of Exhibit 8.2(a), and with respect to its present non-shareholder Physician Employees and all future Physician Employees (whether or not shareholders) in the form of Exhibit 8.2(b), containing the essential physician employment provisions required by Manager. It is understood that said employment agreements may contain additional provisions, relating to compensation and other matters, so long as said additional provisions are not inconsistent with the provisions contained in the applicable employment agreement attached hereto as

Exhibit 8.2(a) or Exhibit 8.2(b). Physician Group agrees that it will not, without the prior written consent of Manager, amend any employment agreement in any manner that is inconsistent with any of the provisions set forth in Articles 1, 2, 4, 5, 6, 7, 8 or 9 of the applicable employment agreement attached hereto as Exhibit 8.2(a) or Exhibit 8.2(b). Physician Group covenants that all terminations of any physician employee of Physician Group shall be made in good faith and not for the purpose of circumventing this Agreement.

(e) Physician Group understands and acknowledges that the foregoing provisions in this Section are designed to preserve the goodwill of Manager and the goodwill of the individual physicians of Physician Group. Accordingly, if Physician Group breaches any obligation of Section 8.1 this Section 8.2, in addition to any other remedies available under this Agreement, at law or in equity, Manager shall be entitled to enforce this Agreement by injunctive relief and by specific performance of the Agreement, such relief to be without the necessity of posting a bond, cash or otherwise (unless required by applicable law). Additionally, nothing in this paragraph shall limit Manager's right to recover any other damages to which it is entitled as a result of Physician Group's breach. If any one or more of the provisions of this Section 8.2 or any word, phrase, clause, sentence or other portion of this Section 8.2 (including, without limitation, the geographical, temporal or scope of activity restrictions contained in this Section 8.2) shall be held to be unenforceable or invalid for any reason, such provision or portion of provision shall be modified or deleted in such a manner so as to make this Section 8.2, as modified, legal and enforceable to the fullest extent permitted under applicable law.

(f) Notwithstanding anything to the contrary contained in this Agreement, upon the termination of this Agreement by Physician Group pursuant to Section 12.3(a) or (b), the restrictive covenants contained in Section 8.2(b) and (c) shall terminate and be of no further force or effect with respect to Physician Group.

ARTICLE 9. FINANCIAL ARRANGEMENTS

Section 9.1. Definitions.

(a) "Adjustments" to Physician Group Revenues and accounts receivable means adjustments, as determined by applying GAAP on a consistent basis, for contractual allowances, uncollectible accounts, discounts, disallowances for Medicare and Medicaid and other disallowances, workers' compensation discount, employee/dependent health care benefit programs and other activities that do not generate a collectible fee.

(b) "Clinic Facility Expenses" has the meaning assigned to such term in Section 6.2 of this Agreement.

(c) "Management Fee" means an amount equal to fifteen percent (15%) of Net Operating Income for the applicable period.

(d) "Net Operating Income" means, for any month, an amount equal to Physician Group Revenues less Clinic Facility Expenses for such month.

(e) "Physician Group Compensation" means an amount equal to eighty-five percent (85%) of Net Operating Income for the applicable period.

(f) "Physician Group Revenues" means the sum of all revenues, computed on an accrual basis as defined by GAAP (net of Adjustments), accruing after the effective date of this Agreement and generated by or on behalf of Physician Group or its employees or contractors (i) as a result of professional medical services and ancillary services provided to patients, pharmaceuticals and other items and supplies sold to patients, and all other fees or income generated by such persons in their capacities as Physician Employees, Practice Employees, contractors of Physician Group or employees of Physician Group, whether rendered in an inpatient or outpatient setting and whether rendered to health maintenance organizations, preferred provider organizations, Medicare, Medicaid or other patients (including, but not limited to, payments received under any capitation or other risk sharing arrangement) or (ii) from any outside source relating to or derived from the practice of medicine (including services and products ancillary thereto) or the management thereof. Notwithstanding the foregoing, Physician Group Revenues shall not include (i) remuneration paid for charitable, educational or other community service related activities that have been consented to by Manager pursuant to Section 8.2(a) above or (ii) remuneration paid for research, publishing, lecturing or expert witness activities that have been consented to by Manager pursuant to Section 8.2(a) above.

Section 9.2. Manager's Compensation.

(a) As compensation for the services it provides under this Agreement, Manager shall be entitled to receive the compensation set forth in this Article 9.

(b) In addition, Physician Group shall pay to Manager an amount equal to fifty percent (50%) of (i) any liquidated damages received from any former Physician Employee pursuant to Sections 4.2, 4.3 or 6.4 of such Physician Employee's employment agreement with Physician Group (net of reasonable out-of-pocket expenses actually incurred in collecting such liquidated damages), and (ii) any compensation paid to Physician Group from any former Physician Employee as a buyout of the restrictive covenants contained in Section 6.4 of such Physician Employee's employment agreement with Physician Group. If Physician Group fails to replace an Affected Physician (as defined below) with another physician satisfactory to Manager within one hundred eighty (180) days after termination of the Affected Physician's employment by Physician Group, Physician Group shall pay to Manager the remainder of the liquidated damages received from the Affected Physician pursuant to Section 4.2 or 4.3 of such Affected Physician's employment agreement with Physician Group (net of reasonable out-of-pocket expenses actually incurred in collecting such liquidated damages), and not previously paid to Manager pursuant to the immediately preceding sentence. The payment of such amount shall be in addition to, and not in lieu of, any remedy Manager may have pursuant to Section 12.4(c) below. "Affected Physician" means, with respect to any liquidated damages payable pursuant to Section 4.2 or 4.3 of a Physician Employee's employment agreement with Physician Group, the Physician Employee whose termination gave rise to the obligation to pay such liquidated damages. The parties hereto acknowledge and agree that any failure by Physician Group to diligently enforce the obligations of the Physician Employees to Physician Group under Articles 4, 6 and 7 of the Physician Employment Agreement attached hereto as Exhibit 8.2(a) (including, without limitation, the obligation to pay liquidated damages under Sections 4.2, 4.3 and 6.4 thereof) shall constitute an immediate and material breach of this Agreement.

Section 9.3. Payment of Practice Expenses, Management Fee and Physician Group Compensation. Manager shall, and is entitled and authorized to, make payments in the manner and in the priority set forth below:

- (a) To pay, or reimburse (without interest) Manager for, Clinic Facility Expenses; then
- (b) To promptly reimburse (without interest) Manager for Physician Group Expenses when paid by Manager out of its own funds; then
- (c) To pay Manager on the fifteenth (15th) day of each month the Management Fee for the preceding month; then
- (d) To pay Physician Group on the fifteenth (15th) day of each month for Physician Group Compensation for the preceding month, from which the Physician Group will satisfy the Physician Group Expenses;

Section 9.4. Accrual Based Determinations; Estimates; Reconciliations. Manager and Physician Group acknowledge and agree that the amounts described in Section 9.3 shall be estimated monthly on an accrual basis, in accordance with GAAP, and reconciled quarterly. Manager is authorized to make estimates of amounts described in Section 9.3 for purposes of making monthly payments thereunder in any reasonable manner deemed appropriate by Manager. Within ninety (90) days after the end of each quarter, Manager will determine the actual amount of all of the payments and amounts described in Section 9.3 with respect to such quarter. If the actual amount due Physician Group for such quarter exceeds the total amounts previously paid to Physician Group during such quarter, then Manager shall promptly pay to Physician Group the amount of such excess. If the amounts previously paid to Physician Group during such quarter exceeds the actual amount due to Physician Group for such quarter, then the amount of Physician Group Compensation next due shall be offset by the amount of any such excess.

Section 9.5. Information/Appeal Rights. Each payment made by Manager to Physician Group pursuant to Section 9.3 or Section 9.4 hereof, and each offset made against Physician Group Compensation pursuant to Section 9.4, shall be accompanied by a statement (each a "Distribution Statement") evidencing the calculations made by Manager with respect to such payment or offset, which statement shall include the actual (or estimated) Physician Group Revenues, Clinic Facility Expenses and Net Operating Income for the fiscal period to which such payment relates, certified on behalf of Manager by the controller or any officer of Manager as being true, correct and complete to the best of Manager's knowledge. Physician Group shall have the right to contest the calculation of any payment due Physician Group pursuant to Section 9.3 or Section 9.4, or any offset made against Physician Group Compensation pursuant to Section 9.4, by delivery of written notice (an "Objection Notice") to Manager with twenty (20) days following Physician Group's receipt of such Distribution Statement. In the event that Physician Group does not timely deliver an Objection Notice, in the absence of fraud and mathematical error, Physician Group shall be conclusively presumed to have accepted and agreed to the calculation of any such payment or offset as set forth in or accompanying such Distribution Statement. If Physician Group timely files an Objection Notice with respect to any Distribution Statement, and if, within twenty (20) days after receipt thereof, Manager and Physician Group are unable to resolve their disagreement concerning such calculation and/or payment, then such matter shall be submitted to binding arbitration in accordance with Section 13.16 of this Agreement to resolve such disagreement; provided that the arbitrator or arbitrators in any such proceeding shall be duly licensed certified public accountants in any state of the United States

who work for a national or regional independent public accounting firm, which is not then nor at any prior time engaged by either party.

Section 9.6. Examination of Books and Records. Manager agrees that Physician Group, upon reasonable notice and during normal business hours, shall have the right to examine and/or audit, either directly or through an accountant selected by Physician Group, all relevant business and financial records of Manager to the extent the same relates to the performance of Manager's obligations hereunder, Physician Group Revenues, Adjustments, Clinic Facility Expenses, the calculation or estimate of monthly or quarterly Net Operating Income and/or payments made to Manager or any affiliate thereof. Such examination and/or audit shall be conducted at the sole expense of Physician Group and shall be subject to the confidentiality provisions of Article 8 hereof; provided, if any such audit reveals an underpayment of 10% or more of any amounts due Physician Group for any fiscal quarter or 15% or more for any fiscal year, Manager shall promptly reimburse Physician Group for the reasonable out-of-pocket costs paid by Physician Group for such audit.

Section 9.7. Accounts Receivable.

(a) Physician Group hereby irrevocably assigns and sets over to Manager all of its right, title and interest in and to all accounts receivable (and proceeds thereof) of Physician Group, Physician Employees or Practice Employees with respect to Physician Group Revenues arising during the term of this Agreement (collectively, the Pre-Termination Accounts Receivable"). Physician Group shall obtain a like assignment from all Physician Employees and Practice Employees. Physician Group shall promptly endorse and/or pay over, and shall cause each Physician Employee and Practice Employee to promptly endorse and/or pay over, but no later than three (3) business days after receipt, any payments received in respect of such accounts receivable to the order of Manager and shall take such other actions as may be necessary to confirm Manager's rights set forth in this Section 9.7.

(b) Without limiting the generality of the foregoing, it is the intent of the parties that the assignment to Manager of the rights described in Section 9.7(a) above shall be inclusive of the rights of Physician Group and the Physician Employees and Practice Employees to receive payment with respect to professional services giving rise to Physician Group Revenues. Physician Group agrees, and shall cause each Physician Employee and Practice Employee to agree, that Manager shall retain the right to collect and, subject to Sections 6.7(b), 9.3 and 9.4 hereof, retain for its own account any accounts receivable relating to any such services rendered during the term of this Agreement.

(c) Physician Group acknowledges and agrees that Manager shall have the unconditional ability to grant a security interest in any and all of the Pre-Termination Accounts Receivable (and proceeds thereof) to lenders under working capital credit facilities or other loan arrangements of Manager, as in effect from time to time. Any monies collected by any such creditor as a result of the grant of any such security interest shall be deemed collected by Manager for all purposes of this Agreement. Physician Group agrees that such security interest to any such lender is intended to be a first priority security interest and is superior to any right, title or interest which may be asserted by Physician Group or any Physician Employee or Practice Employee with respect to Pre-Termination Accounts Receivable or the proceeds thereof. Physician Group further agrees, and shall cause each Physician Employee and Practice Employee to agree, that, upon the occurrence of an event which, under the terms of any loan agreement between Manager and any such lender, allows the lender to exercise its right to collect Pre-

Termination Accounts Receivable and apply the proceeds thereof towards amounts due such lender pursuant to its loan arrangement with Manager, such lender will succeed to all rights and powers of Manager under the powers of attorney provided in Section 6.7(b) as if such lender had been named as the attorney-in-fact therein. Any such action by any such lender shall in no way limit or terminate any of the obligations of Manager hereunder, including the obligations to make payments to Physician Group in accordance with the terms of Sections 9.3 and 9.4 above.

(d) If, contrary to the mutual intent of the parties, the assignment of rights described in this Section 9.7 shall be deemed, for any reason, to be ineffective as an outright assignment, then Physician Group and each Physician Employee and Practice Employee shall, effective as of the date of this Agreement, be deemed to have granted (and Physician Group does hereby grant, and shall cause each Physician Employee and Practice Employee to grant) to Manager a first priority lien on and security interest in any and all interests of Physician Group, Physician Employees and Practice Employees in Pre-Termination Accounts Receivable (and proceeds thereof) to secure all indebtedness and other obligations to Manager arising under or in connection with this Agreement. In furtherance of the foregoing, upon execution and delivery of this Agreement, Physician Group is concurrently entering into a Security Agreement in the form attached as Exhibit 9.7 hereto in order to further effectuate the grant and creation of such security interest.

(e) Physician Group shall (and shall cause each Physician Employee and Practice Employee to) cooperate with Manager and execute all other necessary documents in connection with the assignment and/or pledge of such Pre-Termination Accounts Receivable to Manager or at Manager's option, its lenders.

Section 9.8. No Sharing of Professional Fees. Payment of the fees and the purchase of Accounts Receivable specified in this Agreement is not intended to be and shall not be interpreted or applied as permitting Manager to share in Physician Group's fees for medical services or any other services, but is acknowledged as the parties' negotiated agreement as to the reasonable fair market value of the contract analysis and support, other support services, purchasing, personnel, office space, management, administration, strategic management and other items and services furnished by Manager pursuant to this Agreement, considering the nature and volume of the services required and the risks assumed by Manager.

ARTICLE 10. RECORDS

Section 10.1. Patient Records. Upon termination of this Agreement, Physician Group shall retain all patient medical records maintained by Physician Group or Manager in the name of Physician Group. Physician Group shall, at its option, be entitled to retain copies of financial and accounting records relating to all medical services performed by Physician Group.

Section 10.2. Records Owned by Manager. All records relating in any way to the operation of the Clinic Facilities which are not the property of Physician Group under the provisions of Section 10.1 above, shall at all times be the property of Manager.

Section 10.3. Access to Records. During the term of this Agreement, and thereafter, Physician Group or its designee shall have reasonable access during normal business hours to Physician Group's, and, to the extent related to this Agreement, Manager's, records (including, but not limited to, records of collections, expenses and disbursements as kept by Manager in performing Manager's obligations under this Agreement), and Physician Group may copy any or

all such records, in each case, subject to the confidentiality provisions of Article 8. During the term of this Agreement, and thereafter, Manager or its designee shall have reasonable access during normal business hours to Physician Group's records and Manager may copy at its expense any or all of such records, in each case subject to the confidentiality provisions of Section 6.7(d).

ARTICLE 11. INSURANCE AND INDEMNITY

Section 11.1. Insurance to be Maintained by Physician Group. Throughout the term of this Agreement, and subject to the provisions of Section 6.7(h) providing for malpractice premiums to be a Clinic Facility Expense, Physician Group shall maintain comprehensive professional liability insurance with a reputable insurance company or companies and with such limits and coverages which satisfy state law regulations or requirements of any managed care contract entered into with the approval of Physician Group and which are reasonably acceptable to Manager; provided, however, that all such professional liability insurance shall be subject to the approval of Physician Group. All such coverage for professional liability insurance must abide by state law requirements designed to provide proper coverage for Physician Group. Physician Group shall be responsible for all of its liabilities in excess of the limits of such policies or with respect to any deductible amount, as a Physician Group Expense. Manager shall have the option of providing such professional liability insurance through an alternative program, provided such program meets the requirements of any applicable state regulatory agency and provided that the Governance Board approves the same. Manager shall reimburse Physician Group for any unearned professional liability insurance premiums paid by Physician Group to the extent not reimbursed or reimbursable by Physician Group's insurance carrier if Physician Group's existing professional liability insurance program is canceled and replaced by a comparable professional liability insurance program initiated by Manager. Any such replacement insurance must (i) meet standards required by applicable state law, rules or regulations, (ii) cost no more than the insurance coverage being replaced (unless otherwise agreed to in writing by Physician Group) and (iii) be obtained from an insurance carrier having a financial condition that is comparable to or greater than that of the insurance carrier being replaced (unless otherwise agreed to in writing by Physician Group).

Section 11.2. Insurance to be Maintained by Manager. Throughout the term of this Agreement, Manager will provide and maintain, as a Clinic Facility Expense to the extent set forth in an Approved Budget, (a) comprehensive professional liability insurance for all professional employees of Manager with limits as determined reasonable by Manager, (b) comprehensive general liability and property insurance covering the Clinic Facilities premises and operations, and (c) any other insurance required by applicable law, or usually and customarily obtained by similar businesses to that of Manager or Physician Group. Provided, however, that if after using its best efforts Manager is unable to procure such insurance with the funds budgeted therefor in the applicable Approved Budget, then Manager shall immediately notify Physician Group of the same in writing and shall only be required to provide and maintain the amount of such insurance that Manager is able to procure using such best efforts and such funds.

Section 11.3. Tail Insurance Coverage. Physician Group will cause each individual physician who associates with Physician Group after the date of this Agreement to enter into an agreement with Physician Group to the effect that, if the professional liability insurance maintained by Physician Group pursuant to Section 11.1 above is other than an "occurrence" policy, upon termination of such physician's relationship with Physician Group, for any reason, a commercially reasonable amount of tail insurance coverage (or final endorsement premium or prior acts coverage) will be purchased. Such provisions may be contained in employment agreements, restrictive covenant agreements or other agreements entered into by Physician

Group and the individual physicians, and Physician Group covenants with Manager to enforce such provisions relating to the tail insurance coverage or to provide such coverage at the expense of Physician Group.

Section 11.4. Additional Insureds. Physician Group and Manager agree to use their reasonable efforts to have each other named as an additional insured on the other's respective liability insurance programs at the reasonable expense of Manager.

Section 11.5. Indemnification. Physician Group shall indemnify, hold harmless and defend Manager, its officers, directors, shareholders, employees, agents and subcontractors from and against any and all liability, loss, damage, claim, causes of action and expenses (including reasonable attorneys' fees) ("Claims"), not otherwise covered by insurance (payable to the indemnified party), caused, directly or indirectly, by or as a result of the gross negligence, professional malpractice or willful misconduct of any Physician Employee in the performance by Physician Group and/or any of its shareholders, agents, employees and/or subcontractors (other than Manager and its employees) of medical services or in the performance of any other act. Manager shall indemnify, hold harmless and defend Physician Group, its officers, directors, shareholders and employees, from and against any and all Claims, not otherwise covered by insurance (payable to the indemnified party), caused, directly or indirectly, by or as a result of the gross negligence or willful misconduct in the performance by Manager and/or any of its employees, agents and/or subcontractors (other than Physician Group and its employees) of any services required to be rendered hereunder by Manager or in the performance of any other act.

Notwithstanding anything herein to the contrary, the provisions of this Section 11.5 are not intended to limit any rights or remedies that either party may have at law or equity in connection with any action or inaction of the other party or its employees, agents or representatives.

ARTICLE 12. TERM AND TERMINATION

Section 12.1. Term of Agreement. The term of this Agreement shall commence on the date of this Agreement and shall expire on the fortieth (40th) anniversary of such date, unless earlier terminated pursuant to the terms of this Agreement.

Section 12.2. Extended Term. Unless earlier terminated as provided for in this Agreement, the term of this Agreement shall be automatically extended for additional terms of five (5) years each, unless either party delivers to the other party, not less than twelve (12) months nor earlier than fifteen (15) months prior to the expiration of the preceding term, written notice of such party's intention not to extend the term of this Agreement. Under no circumstances will the term of this Agreement extend past any date which would violate the rule against perpetuities as contained in applicable law.

Section 12.3. Termination by Physician Group. Physician Group may terminate this Agreement as follows:

(a) In the event of the filing of a petition in voluntary bankruptcy or an assignment for the benefit of creditors by Manager, or upon other action taken or suffered, voluntarily or involuntarily, under any federal or state law for the benefit of debtors by Manager, except for the filing of a petition in involuntary bankruptcy against Manager which is dismissed within thirty (30) days thereafter, Physician Group may give notice of the immediate termination of this Agreement.

(b) In the event Manager shall materially default in the performance of any duty or obligation imposed upon it by this Agreement, and such default shall continue for a period of thirty (30) days after written notice of such default has been given to Manager by Physician Group, or in the event of a default that cannot reasonably be cured within such thirty (30)-day period, Manager shall fail to commence a cure within such thirty (30)-day period or shall fail thereafter diligently and in good faith to pursue such cure to completion (the time for cure in any event not to exceed one hundred eighty (180) days after such written notice of default), then Physician Group may give written notice of the immediate termination of this Agreement.

Section 12.4. Termination by Manager. Manager may terminate this Agreement as follows:

(a) In the event of the filing of a petition in voluntary bankruptcy or an assignment for the benefit of creditors by Physician Group, or upon other action taken or suffered, voluntarily or involuntarily, under any federal or state law for the benefit of debtors by Physician Group, except for the filing of a petition in involuntary bankruptcy against Physician Group which is dismissed within thirty (30) days thereafter, Manager may give notice of the immediate termination of this Agreement.

(b) In the event Physician Group shall materially default in the performance of any duty or obligation imposed upon it by this Agreement, and (except for defaults specified in Section 6.7(b) above) such default shall continue for a period of thirty (30) days after written notice of such default has been given to Physician Group by Manager, or in the event of a default that cannot reasonably be cured within such thirty (30)-day period, Physician Group shall fail to commence a cure within such thirty (30)-day period or shall fail thereafter diligently and in good faith to pursue such cure to completion (the time for cure in any event not to exceed one hundred eighty (180) days after such written notice of default), then Manager may give written notice of the immediate termination of this Agreement.

(c) In the event the license of any Physician Employee to practice medicine in the State of Florida is suspended or revoked, or he or she is subject to any final disciplinary action by any medical licensing board or any similar body on any grounds, other than minor, immaterial or insubstantial grounds, or he or she dies or becomes Disabled (as defined below), or if any Physician Employee retires and/or otherwise ceases to practice medicine on substantially the same basis as it was conducted on the effective date of this Agreement (or, if later, as of the date such physician first became an employee of Physician Group) (hereinafter, any such event is referred to as a "Termination Event"), then Manager may give written notice to Physician Group of Manager's intent to terminate this Agreement, which termination shall be effective one hundred eighty (180) days (or two hundred seventy (270) days, if the Termination Event arose from the death or disability of any Physician Employee) after the date of such notice, or on such later date as may be indicated in such notice; provided, however, that in any such event Physician Group shall have one hundred eighty (180) days (or two hundred seventy (270) days, if the Termination Event arose from the death or disability of any Physician Employee) after the date on which Manager gives Physician Group written notice of its intent to terminate this Management Services Agreement pursuant to this paragraph (c) to replace the affected Physician Employee with another physician duly licensed and qualified to provide professional medical pediatric services consistent with the quality of such services provided generally by Physician Group; provided, further, that Manager and Physician Group may agree to bring in a locum tenens to provide

physician services during such one hundred eighty (180)-day (or two hundred seventy (270) day, as the case may be) period; and further provided, however, that this paragraph (c) shall not apply if, after taking into account the affected Physician Employee, (i) there remain at least five (5) full-time equivalent physicians (taking into account the cumulative effect of any part-time Physician Employees) who are employed by Physician Group or (ii) Physician Group is able to demonstrate to the satisfaction of Manager, in Manager's sole but reasonable discretion, that replacement of the affected Physician Employee is not required in order for Physician Group to maintain its then current level of productivity and results of operations (such productivity and results of operations to be measured before taking into account the affected Physician Employee). As used herein, the term "Disabled" shall mean the permanent and total inability, by reason of physical or mental infirmity, or both, of a Physician Employee to perform his or her regular duties to Physician Group. The determination of whether a Physician Employee is Disabled shall be made by a panel consisting of three (3) medical doctors who are licensed to practice medicine in the State where the Physician Employee in question practices and who are not employees or directors of Manager and who are not employees or members of Physician Group. One (1) member of such panel shall be selected by Manager, one (1) member shall be selected by the Physician Employee in question (or by an adult member of such Physician Employee's family or his or her legal representative if such Physician Employee is unable to make such selection), and the remaining member shall be selected by the two (2) panel members so selected. The majority decision of such panel shall be final and determinative of the issue of whether the Physician Employee in question is Disabled.

Notwithstanding anything in this Section 12.4(c) to the contrary, in order to exercise Manager's right to terminate this Agreement as a result of the occurrence of any particular Termination Event, Manager shall be required to give written notice of its intent to terminate this Agreement not later than one year following the occurrence of such Termination Event (or, if later, one year following Manager's knowledge or receipt of notice of the occurrence of such Termination Event). In the event that such right of termination is not exercised within said one year period, Manager shall no longer have any right to terminate this Agreement pursuant to this Section 12.4(c) as a result of the occurrence of such Termination Event. Manager's failure to exercise its termination right during said one year period with respect to a particular Termination Event shall in no way affect or limit Manager's right of termination arising from the occurrence of any other Termination Event.

(d) In the event Physician Group's Medicare or Medicaid provider number is lost or suspended, or if Physician Group is restricted from treating beneficiaries of the Medicare or Medicaid programs.

Section 12.5. Repurchase Obligation.

(a) In the event that the initial 40-year term of this Agreement (or any 5-year extension thereof pursuant to Section 12.2 above) expires and is not extended, or in the event that this Agreement is terminated by Physician Group pursuant to its rights under Section 12.3 above, Physician Group shall:

(i) Purchase from Manager at fair market value, which the parties agree will be the then book value (as adjusted on the books of Manager in accordance with GAAP through the last day of the month most recently ended prior to the date of such termination), all of the accounts receivable on the books

of Manager relating to this Agreement and the operation of the Clinic Facilities and Physician Group's medical practice;

(ii) Purchase from Manager any real estate owned by Manager and used as a Clinic Facility at the greater of its appraised fair market value or its then book value (as adjusted on the books of Manager in accordance with GAAP through the last day of the month most recently ended prior to the date of such termination), provided, however, that this purchase obligation shall only apply to real estate that was either (i) purchased by Manager from Physician Group or an affiliate of Physician Group or (ii) purchased by Manager with the consent of Physician Group. The appraised fair market value of the real estate shall be determined by Manager and Physician Group, each selecting a duly qualified appraiser, who in turn will agree on a third appraiser. This agreed-upon appraiser shall perform the appraisal which shall be binding on both parties. If either party fails to select an appraiser within fifteen (15) days after the selection of an appraiser by the other party, the appraiser selected by the other party shall make the selection of the third party appraiser;

(iii) Purchase at fair market value, which the parties agree will be the then book value (as adjusted on the books of Manager in accordance with GAAP through the last day of the month most recently ended prior to the date of such termination), all improvements, additions, or leasehold improvements that have been made by Manager at any Clinic Facilities;

(iv) Assume all debt, and all contracts, payables and leases that are obligations of Manager and that relate principally to the performance of Manager's obligations under this Agreement or the properties leased or subleased by Manager for use by Physician Group, but only to the extent that (A) such debts, contracts, payables and leases were entered into or incurred by Manager in a manner that did not violate the terms of this Agreement and (B) the amounts due and payable with respect thereto, if otherwise paid during the term of this Agreement, would constitute (or the interest thereon would constitute) a Clinic Facility Expense or a Physician Group Expense;

(v) Purchase from Manager at fair market value, which the parties agree will be the then book value (as adjusted on the books of Manager in accordance with GAAP through the last day of the month most recently ended prior to the date of such termination), all of the furniture, fixtures and equipment, inventory and supplies, and other tangible personal property on the books of the Manager relating to this Agreement and the operation of the Clinic Facilities and the Physician Group's medical practice; and

(vi) Offer employment to substantially all of the employees employed by Manager and whose services were substantially exclusively for the Medical Group immediately prior to termination on substantially the same terms and conditions.

(b) In the event that this Agreement is terminated by Manager pursuant to its rights under Section 12.4 above, Physician Group shall:

(i) Purchase (at the purchase price set forth below) from Manager all of the accounts receivable on the books of Manager relating to this Agreement and the operation of the Clinic Facilities and Physician Group's medical practice;

(ii) Purchase (at the purchase price set forth below) from Manager any real estate owned by Manager and used as a Clinic Facility, provided, however, that this purchase obligation shall only apply to real estate that was either (i) purchased by Manager from Physician Group or an affiliate of Physician Group or (ii) purchased by Manager with the consent of Physician Group;

(iii) Purchase (at the purchase price set forth below) all improvements, additions, or leasehold improvements that have been made by Manager at any Clinic Facilities;

(iv) Assume all debt, and all contracts, payables and leases that are obligations of Manager and that relate principally to the performance of Manager's obligations under this Agreement or the properties leased or subleased by Manager for use by Physician Group, but only to the extent that (A) such debts, contracts, payables and leases were entered into or incurred by Manager in a manner that did not violate the terms of this Agreement and (B) the amounts due and payable with respect thereto, if otherwise paid during the term of this Agreement, would constitute (or the interest thereon would constitute) a Clinic Facility Expense or a Physician Group Expense;

(v) Purchase (at the purchase price set forth below) from Manager all of the furniture, fixtures and equipment, inventory and supplies, and other tangible personal property on the books of the Manager relating to this Agreement and the operation of the Clinic Facilities and the Physician Group's medical practice; and

(vi) Offer employment to substantially all of the employees employed by Manager and whose services were substantially exclusively for the Medical Group immediately prior to termination on substantially the same terms and conditions.

The purchase price to be paid by Physician Group to Manager as consideration for the purchase of the assets listed above in this Section 12.5(b) shall be equal to the greater of: (A) the fair market value, determined on an enterprise value basis, of the Physician Group's medical practice, which valuation shall include all assets and liabilities of Manager generated by, held for use in or used principally in the operation of the Clinic Facilities and the management of Physician Group's medical practice (including, by way of example and not in limitation of the generality of the foregoing, all accounts receivable relating to this Agreement and the operation of the Clinic Facilities and Physician Group's medical practice and all of Manager's right, title and interest in and to the Clinic Facilities and the tangible personal property located therein); or (B) the sum of (I) the aggregate book value (as adjusted on the books of Manager in accordance with GAAP through the last day of the month most recently ended prior to the date of such termination) of all of the assets listed above in this Section 12.5(b) plus (II) an amount

equal to the product of \$ 1,673,528¹ multiplied by a fraction the numerator of which is the number of years remaining in the initial 40-year term of this Agreement at the time of termination and the denominator of which is 40. For purposes of clause (A) above, the fair market value of Physician Group's medical practice shall be determined by Manager and Physician Group, each selecting a duly business valuation expert, who in turn will agree on a third business valuation expert. This agreed-upon valuation expert shall perform the appraisal which shall be binding on both parties. If either party fails to select a valuation expert within fifteen (15) days after the selection of a valuation expert by the other party, the valuation expert selected by the other party shall make the selection of the third party valuation expert. The cost of the valuation shall be shared equally by the parties. Notwithstanding the foregoing, Manager may, in its sole discretion, choose not to have a valuation performed, in which case the purchase price shall be conclusively determined as provided in clause (B) above.

(c) In the event that this Agreement is terminated pursuant to Section 13.11 below, Physician Group shall:

(i) Purchase (at the purchase price set forth below) from Manager all of the accounts receivable on the books of Manager relating to this Agreement and the operation of the Clinic Facilities and Physician Group's medical practice;

(ii) Purchase (at the purchase price set forth below) from Manager any real estate owned by Manager and used as a Clinic Facility, provided, however, that this purchase obligation shall only apply to real estate that was either (i) purchased by Manager from Physician Group or an affiliate of Physician Group or (ii) purchased by Manager with the consent of Physician Group;

(iii) Purchase (at the purchase price set forth below) all improvements, additions, or leasehold improvements that have been made by Manager at any Clinic Facilities;

(iv) Assume all debt, and all contracts, payables and leases that are obligations of Manager and that relate principally to the performance of Manager's obligations under this Agreement or the properties leased or subleased by Manager for use by Physician Group, but only to the extent that such debts, contracts, payables and leases were entered into or incurred by Manager in a manner that did not violate the terms of this Agreement and the amounts due and payable with respect thereto, if otherwise paid during the term of this Agreement, would constitute (or the interest thereon would constitute) a Clinic Facility Expense or a Physician Group Expense;

(v) Purchase (at the purchase price set forth below) from Manager all of the furniture, fixtures and equipment, inventory and supplies, and other tangible personal property on the books of the Manager relating to this Agreement and the operation of the Clinic Facilities and the Physician Group's medical practice; and

¹ This number will be determined at closing and filled in prior to signing this Agreement. The number is to be equal to the difference between the aggregate value of the Merger Consideration at closing (using \$3.75 per share to value PPA stock) and the book value (as reflected on PPA's books) immediately following the closing of all assets acquired by PPA by virtue of the Merger.

(vi) Offer employment to substantially all of the employees employed by Manager and whose services were substantially exclusively for the Medical Group immediately prior to termination on substantially the same terms and conditions.

The purchase price to be paid by Physician Group to Manager as consideration for the purchase of the assets listed above in this Section 12.5(c) shall be equal to the sum of (A) the aggregate book value (as adjusted on the books of Manager in accordance with GAAP through the last day of the month most recently ended prior to the date of such termination) of all of the assets listed above in this Section 12.5(c) plus (B) an amount equal to the product of \$ _____² multiplied by a fraction the numerator of which is the difference between seven and the number of years that have elapsed since the date of this Agreement at the time of termination and the denominator of which is seven.

(d) The aggregate purchase price to be paid by Physician Group pursuant to either Section 12.5(a), 12.5(b) or 12.5(c), shall be reduced by the amount of all funded debt (which shall not include contingent liabilities, such as leases) of Manager assumed by Physician Group.

Section 12.6. Closing of Repurchase. The closing dated for the repurchase of assets pursuant to Section 12.5 shall be determined by Physician Group and Manager, but in no event shall occur later than ninety (90) days after the date of termination of this Agreement. Physician Group shall pay for the repurchased assets, at Physician Group's election, in cash or, provided that the Merger has been consummated, in shares of PPA Common Stock, valued at its fair market value, or in some combination thereof. As used in the preceding sentence, if the PPA Common Stock is publicly traded at the time the repurchase is made, "fair market value" shall mean the average last reported sales price per share of such Common Stock for the twenty (20) consecutive trading days ending at the close of trading on the day immediately preceding the date on which the repurchase is made. However, if the PPA Common Stock is not then publicly traded, the "fair market value" of such Common Stock shall be determined by an independent appraisal of the value of such Common Stock as valued within thirty (30) days of the date the repurchase is made, to be obtained by Manager and the cost of which shall be borne equally by the parties. Should Physician Group disagree with such appraisal, Physician Group shall obtain a second independent appraisal at Physician Group's expense, with the values as determined by the two appraisals being averaged. However, should the value as determined by the second appraisal differ by more than ten percent (10%) of the first appraisal, the two appraisers who performed the initial appraisals shall obtain a third independent appraisal which shall be conclusive as to the fair market value of the PPA Common Stock, with the expense of the third appraisal borne equally by the parties.

Notwithstanding the foregoing, in the event that as of the termination of this Agreement, shares of PPA's common stock issued in connection with the Merger are not permitted to be sold (i) to the public under applicable federal securities laws (pursuant to Rule 144 promulgated under the Securities Act of 1933 (or any successor or similar rule then in effect) or pursuant to an effective registration statement filed under said Act or otherwise) or (ii) pursuant to the terms of any written agreement with respect to which PPA (or an affiliate of PPA) and such shareholders

² This number will be determined at closing and filled in prior to signing this Agreement. The number is to be equal to the difference between the aggregate value of the Merger Consideration at closing (using \$3.75 per share to value PPA stock) and the book value (as reflected on PPA's books) immediately following the closing of all assets acquired by PPA by virtue of the Merger.

are parties, then the "fair market value" of such shares, for purposes of paying the purchase price for the repurchased assets, shall be deemed equal to the greater of (A) the fair market value thereof as determined above, or (B) \$ 3.75.

Section 12.7. Repurchase Obligation Not Exclusive Remedy. In the event this Agreement is terminated by Manager pursuant to Section 12.4, the repurchase obligation set forth in Section 12.5 shall not be exclusive of any other remedy available to Manager, but the same shall be distinct, separate and cumulative.

ARTICLE 13. GENERAL PROVISIONS

Section 13.1. Assignment. Manager shall have the right to assign its rights and obligations under this Agreement to: (a) any entity controlling, controlled by or under common control with Manager; (b) in connection with a sale of all or substantially all of the assets of Manager, or a merger, sale of stock or other change of control of Manager, provided that the assignee's net worth as of the date of assignment (as determined in accordance with GAAP), is not less than the net worth of Manager, determined in the same manner; or (c) to PPA or a direct or indirect wholly-owned subsidiary of PPA, whether by operation of law as a result of the Merger or otherwise. Manager shall also have the right to assign its right to payments (but not its obligations) under this Agreement to any lending institution, for security purposes or as collateral, from which Manager obtains financing. Except as set forth above, neither Manager nor Physician Group shall have the right to assign their respective rights and obligations under this Agreement without the written consent of the other party. Notwithstanding anything herein to the contrary, in the event that Manager assigns its rights and obligations under this Agreement, without Physician Group's consent, to any entity controlling, controlled by, or under common control, with Manager, Manager shall remain fully liable for the full and prompt performance and payment of all obligations of Manager hereunder. Such obligation, if characterized "guarantee", shall be a "guarantee of payment" and not a "guarantee of collection".

Section 13.2. Entire Agreement; Modification. There are no other agreements or understandings, written or oral, between the parties regarding the subject matter of this Agreement and the Exhibits, other than as set forth in this Agreement. This Agreement, including the Exhibits hereto, shall not be modified or amended except by a written document executed by both parties to this Agreement, and such written amendments and/or modifications shall be attached to this Agreement.

Section 13.3. Notices. All notices or other communications required to be or otherwise given under this Agreement shall be in writing and shall be delivered personally or mailed by registered or certified mail (return receipt requested), postage prepaid, or sent by United Parcel Services, Federal Express or similar overnight courier service, to the parties at the following addresses (or at such other address for a party as shall be specified in accordance with this Section). All notices shall be deemed given upon receipt.

To Physician Group:

New Interlachen Pediatrics, P.A.
846 Lake Howell Road
Maitland, Florida 32751
Attention: Thomas A. Lacy, M.D.

With a copy to:

Dean, Mead, Egerton, Bloodworth, Capouano & Bozarth, P.A.
800 N. Magnolia Avenue, Suite 1500
Orlando, FL 32803
Attention: Alan H. Daniels, Esq.

To Manager before the Merger:

Interlachen Pediatrics, Inc.
c/o Pediatric Physician Alliance, Inc.
3230 H Peachtree Corners Circle
Norcross, Georgia 30092
Attention: Terrence L. Bauer, President

To Manager after the Merger:

Pediatric Physician Alliance, Inc.
3230 H Peachtree Corners Circle
Norcross, Georgia 30092
Attention: Terrence L. Bauer, President

In each case, with a copy to:

Bensch, Friedlander, Coplan & Aronoff LLP
2300 BP Tower
200 Public Square
Cleveland, Ohio 44114
Attention: Ira C. Kaplan, Esq.

Section 13.4. Binding on Successors. Subject to Section 13.1, this Agreement shall be binding upon and shall inure to the benefit of Manager and Physician Group and their respective successors and assigns.

Section 13.5. Waiver of Provisions. Any waiver of any terms and conditions of this Agreement must be in writing and signed by Manager and Physician Group. The waiver of any of the terms and conditions of this Agreement shall not be construed as a continuing waiver or as a waiver of any other terms and conditions of this Agreement.

Section 13.6. Governing Law. The validity, interpretation and performance of this Agreement shall be governed by and construed in accordance with the laws of the State of Florida. The parties acknowledge that Manager is not authorized or qualified to engage in any activity which may be construed or deemed to constitute the practice of medicine. To the extent any act or service required of Manager in this Agreement should be construed or deemed, by an governmental authority, agency or court to constitute the practice of medicine, the performance of said act or service by Manager shall be deemed waived by Physician Group and forever unenforceable; provided, however, in no event shall the unenforceability of an act or service caused by this Section affect the enforceability of any other provisions of this Agreement.

Section 13.7. Severability. The provisions of this Agreement shall be deemed severable and if any portion shall be held invalid, illegal or unenforceable for any reason, the remainder of this Agreement shall be effective and binding upon the parties.

Section 13.8. Additional Documents. Each of the parties agrees to execute any document or documents that may be requested from time to time by the other party to implement or complete such party's obligations pursuant to this Agreement.

Section 13.9. Attorneys' Fees. If legal action is commenced by either party to enforce or defend its rights under this Agreement, the prevailing party in such action shall be entitled to recover its costs and reasonable attorneys' fees incurred in connection therewith, either before or at trial or on appeal or in any bankruptcy proceeding in addition to any other relief granted.

Section 13.10. Confidentiality. Except for disclosure to its attorneys, accountants, bankers, underwriters or lenders, or as necessary or desirable for conduct of business, including negotiations with acquisition candidates, neither Manager nor Physician Group shall disseminate or release to any third party any information regarding the financial terms of this Agreement, or any financial information regarding the other (past, present or future) that was obtained by the other in the course of the negotiation of this Agreement or in the course of the performance of this Agreement, without the other party's written approval; provided, however, the foregoing shall not apply to information which (i) is generally available to the public other than as a result of a breach of confidentiality provisions; (ii) becomes available on a non-confidential basis from a source other than the other party or its affiliates or agents, which source was not itself bound by a confidentiality agreement, or (iii) which is required to be disclosed by law including securities laws, or pursuant to court order. Each party shall be responsible for damages resulting from a breach of the foregoing confidentiality requirement due to its or its employees', agents' or representatives' gross negligence or willful misconduct; provided, however, in no event shall a breach of said confidentiality be deemed a default under this Agreement unless such breach (i) is willful, (ii) has a material adverse effect on the continued existence or business operations of the party to whom the confidentiality obligation is owed and (iii) is not cured within the time periods set forth in Section 12.3(b) or 12.4(b), as applicable, of this Agreement.

Section 13.11. Contract Modifications for Prospective Legal Events. If, after the date of this Agreement, any federal or Florida government agency validly passes, issues, promulgates or modifies any law, court decision, rule or regulation, or validly upholds any order, rule or regulation which, as of the date of this Agreement, was stayed or was the subject of litigation or administrative appeal, in each case which law, court decision, rule, regulation or order is binding on the parties hereto and which impacts this Agreement (hereinafter, a "Legislative Amendment"), the parties will abide by said Legislative Amendment and amend this Agreement accordingly; provided that if any such Legislative Amendment materially increases the obligations or materially decreases the rights of any party hereto or renders this Agreement illegal, then the parties agree to negotiate, in good faith, a mutually acceptable amendment to the Agreement which is both in compliance with the Legislative Amendment and which, to the greatest extent possible, preserves the right and obligations of the parties, as in effect prior to such Legislative Amendment.

If within 30 days after the occurrence of such Legislative Amendment, the parties do not agree on whether such Legislative Amendment materially increases the obligations or materially decreases the rights of any party hereto or makes this Agreement illegal, then the parties agree to submit such disagreement (and only such disagreement) to binding arbitration in accordance with Section 13.16 hereof. The costs of such arbitration shall be borne equally by the parties; provided that each party shall bear its own legal and other third party expenses incurred in connection therewith. The parties will make a good faith effort to cause the arbitration panel to render a decision as soon as reasonably practical, but not later than fifteen (15) calendar days following the designation of the arbitration panel.

If the parties or the arbitration panel, as the case may be, determines that any Legislative Amendment materially increases the obligations or materially decreases the rights of any party or makes this Agreement illegal, and if within sixty (60) calendar days following of such determination the parties cannot mutually agree on amendments to the Agreement which are mutually acceptable to both parties and which comply with the Legislative Amendment, then this Agreement shall be automatically terminated as of such 60th day (or, as of such later date, if any, agreed to by the parties, in writing).

Notwithstanding the foregoing, the provisions of this Section 13.11 shall not apply with respect to any Legislative Amendment that is subject to a bona fide appeal, declaratory judgment proceeding or other viable legal challenge being diligently pursued by Manager or any other party unless and until such appeal, proceeding or other challenge is dismissed without further right of appeal or is abandoned by all parties pursuing it.

Section 13.12. Remedies Cumulative. No remedy set forth in this Agreement or otherwise conferred upon or reserved to any party shall be considered exclusive of any other remedy available to any party, but the same shall be distinct, separate and cumulative and may be exercised from time to time as often as occasion may arise or as may be deemed expedient.

Section 13.13. Language Construction. The language in all parts of this Agreement shall be construed, in all cases, according to its fair meaning, and not for or against either party to this Agreement. The parties acknowledge that each party and its counsel have reviewed and revised this Agreement and that the rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

Section 13.14. No Obligation to Third Parties. Subject to Section 13.4, none of the obligations and duties of Manager or Physician Group under this Agreement shall in any way or in any manner be deemed to create any obligation of Manager or of Physician Group to, or any rights in, any person or entity not a party to this Agreement.

Section 13.15. Communications. Physician Group and Manager agree that good communication between the parties is essential to the successful performance of this Agreement, and each pledges to communicate fully and clearly with the other on matters relating to the successful operation of Physician Group's practice at the Clinic Facilities.

Section 13.16. Arbitration. Any controversy or claim arising out of, or relating to, this Agreement, or the making, performance or interpretation of this Agreement (including, without limitation, any dispute regarding the right to terminate this Agreement pursuant to Article 12, but specifically excluding the inability of the members of the Governance Board to agree upon any matter subject to the approval of the Governance Board pursuant to any provision of this Agreement, and except as otherwise set forth in Section 13.11, disputes with respect to the matters referred to in Section 13.11 which shall be resolved in accordance with the terms of said Section 13.11), shall be settled by binding arbitration in accordance with the NHLA Alternative Dispute Resolution Service Rules of Procedure for Arbitration then existing, and judgment on the arbitration award may be entered in any court having jurisdiction over the same. Such arbitration proceeding shall take place at a location to be mutually agreed upon by the parties.

Section 13.17. Force Majeure. Either party hereto shall be excused for failures and delays in the performance of such party's obligations, duties and agreements under this Agreement due to any cause beyond the control and without the fault of such party or its employees, agents or representatives, including, without limitation, any act of God, war, riot or insurrection, law or regulation, strike, flood, fire, explosion or inability (due to any of the aforementioned causes) to

obtain necessary labor, materials or facilities. This provision shall not, however, release such party from using such party's commercially reasonable best efforts to avoid or remove such cause and such party shall continue performance hereunder at the utmost dispatch whenever such causes are removed. Upon claiming any such excuse or delay for the nonperformance, such party shall give prompt written notice thereof to the other party, provided that the failure to give such notice shall not in any way limit the operation of this provision.

IN WITNESS OF THESE COVENANTS, Physician Group and Manager have duly executed this Agreement as of the date first written above.

PHYSICIAN GROUP:

NEW INTERLACHEN PEDIATRICS, P.A., a
Florida professional association

By: ✓ [Signature]
Title: President THOMAS A. LACY, M.D.

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MANAGER:

INTERLACHEN PEDIATRICS, INC., a Florida
corporation

By: ✓ [Signature]
Title: President THOMAS A. LACY, M.D.