FORM 8-K

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MEDPARTNERS INC

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

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FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): March 12, 1999

MedPartners, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

0-27276

(Commission File Number)

63-1151076

(IRS Employer Identification Number)

3000 Galleria Tower, Suite 1000, Birmingham, Alabama 35244

(Address of principal executive offices)

Registrant's telephone number, including area code: (205) 733-8996

Not applicable

(Former Name or Former Address, if Changed Since Last Report)

Item 2. Acquisition or Disposition of Assets.

On March 12, 1999, MedPartners, Inc., a Delaware corporation ("MedPartners") closed the sale (the "Sale") of Team Health, Inc. and its direct and indirect subsidiaries ("Team Health"), which constituted MedPartners' hospital-based physician business, a part of its Contract Medical Services Division. Team Health organizes and manages physicians and other healthcare professionals engaged in the delivery of emergency, radiology and teleradiology, hospital-based primary care and temporary staffing and support services to hospitals, clinics, managed care organizations and physician groups throughout the United States. The Sale was consummated in accordance with the terms of that certain Recapitalization Agreement (the "Recapitalization Agreement"), dated January 25, 1999, among Team Health Holdings, L.L.C. ("Holdings"), Team Health, Inc., MedPartners and Pacific Physician Services, Inc. ("PPSI"), a wholly-owned subsidiary of MedPartners and the sole stockholder of Team Health, Inc. prior to the Sale, as modified by that Letter Agreement (the "Letter Agreement") dated March 11, 1999, by and among the parties to the Recapitalization Agreement. The Letter Agreement is filed herewith as Exhibit 2.2 and incorporated herein by reference thereto. The purchaser was Holdings, an affiliate of Madison Dearborn Capital Partners II, L.P. ("MDCP"), Cornerstone Equity Investors IV, L.P. ("Cornerstone") and Healthcare Equity Partners, L.P., and Healthcare Equity Q.P. Partners, L.P. (collectively, "HEP"). Neither MedPartners, nor any of its affiliates had, and to the knowledge of MedPartners, no director or officer or any associate of such director or officer had, any material relationship with Holdings, MDCP, Cornerstone or HEP prior to the Sale.

Pursuant to the Recapitalization Agreement, Holdings, acquired approximately 92.7% of the equity of Team Health, Inc. MedPartners, through PPSI, will retain approximately 7.3% of the equity of the recapitalized Team Health, Inc., consisting of 5,701 shares of ten percent cumulative Class A Preferred Stock of Team Health, Inc., $.01 par value, and approximately 732,727 shares of Common Stock of Team Health, Inc., $.01 par value. The Class A Preferred Stock is redeemable at any time by Team Health, Inc., but must be redeemed on or before December 31, 2009.

After adjustment based on the cash on hand and indebtedness of Team Health as of February 28, 1999 and capital expenditures made by Team Health during the period from January 1, 1998 through February 28, 1999, MedPartners received cash proceeds of approximately $328 million exclusive of transaction costs and other expenses, including insurance coverage for tail medical malpractice liabilities. The consideration for the Sale was determined through arm's length negotiations between MedPartners, on the one hand, and MDCP, Cornerstone and HEP, on the other. Under the terms of the Recapitalization Agreement, MedPartners acquired medical malpractice tail liability coverage for the Team Health business for matters arising on or prior to the closing from various insurance companies and paid or has agreed to pay premiums aggregating approximately $55 million for

such coverage.

Pursuant to that Registration Agreement (the "Registration Agreement"), dated March 12, 1999, by and among Team Health, Inc., Holdings and PPSI, PPSI and Holdings, as holders of Common Stock of Team Health, Inc. after the Sale, were granted (i) demand registration rights

which could be exercised upon the approval of the holder or holders of a majority of the Team Health, Inc. Common Stock and (ii) piggyback registration rights which could be exercised upon the approval of the holder or holders of at least a majority of the Team Health, Inc. Common Stock. The Registration Agreement is filed herewith as Exhibit 99.2 and incorporated herein by reference thereto. In addition, Team Health, Inc. is a party to a Stockholders Agreement (the "Stockholders Agreement"), dated March 12, 1999, by and among Team Health, Inc., Holdings and PPSI, which among other things, (i) grants Team Health, Inc. and Holdings a right of first refusal upon any proposed sale by PPSI of its capital stock of Team Health, Inc., (ii) requires PPSI to consent to and participate in any Sale of Team Health, Inc. which is approved by a majority of the stockholders and (iii) grants PPSI preemptive rights upon the issuance of securities in Team Health, Inc. to MDCP, Cornerstone, HEP or any of their affiliates. The Stockholders Agreement is filed herewith as Exhibit 99.3 and incorporated herein by reference thereto.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

(c) Exhibits

Exhibit No.

2.1 Recapitalization Agreement by and among Team Health, Inc., MedPartners, Inc., Pacific Physician Services, Inc. and Team Health Holdings, L.L.C. dated as of January 25, 1999 (the "Recapitalization Agreement") (incorporated herein by reference to Exhibit 10.1 of MedPartners Current Report on Form 8-K filed with the Securities and Exchange Commission on January 27, 1999). The Exhibits and Disclosure Letter that are referenced in the table of contents and elsewhere in the Recapitalization Agreement are hereby incorporated by reference. Such Exhibits and Disclosure Letter have been omitted for purposes of this filing, but will be furnished supplementally to the Commission upon request.

2.2 Letter Agreement by and among Team Health, Inc., MedPartners, Inc., Pacific Physician Services, Inc. and Team Health Holdings, L.L.C. dated March 11,

1999.

99.1 Text of Press Release of MedPartners, Inc., dated January 27, 1999 (incorporated herein by reference to Exhibit 99.1 of MedPartners Current Report on Form 8-K filed with the Securities and Exchange Commission on January 27, 1999).

99.2 Registration Agreement by and among Team Health, Inc., Team Health Holdings, L.L.C. and Pacific Physician Services, Inc., dated March 12, 1999.

99.3 Stockholders Agreement by and among Team Health, Inc., Team Health Holdings, L.L.C. and Pacific Physician Services, Inc., dated March 12, 1999.

Signatures

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

Date: March 26, 1999

MEDPARTNERS, INC.

By: /s/ James H. Dickerson, Jr.

James H. Dickerson, Jr.
Executive Vice President and
Chief Financial Officer

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Exhibit		Page No.
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EXHIBIT 2.2

MEDPARTNERS, INC.
3000 Galleria Tower, Suite 1000
Birmingham, Alabama 35244

March 11, 1999

Team Health Holdings, L.L.C.
c/o Madison Dearborn Capital Partners II, L.P.
Three First National Plaza, Suite 3800
Chicago, Illinois 60602

Re: Recapitalization Agreement

Ladies and Gentlemen:

Reference is made to the Recapitalization Agreement (the "Agreement"), dated as of January 25, 1999, by and among Team Health, Inc., a Tennessee corporation, Pacific Physician Services, Inc., a Delaware corporation, MedPartners, Inc., a Delaware corporation, and Team Health Holdings, L.L.C., a Delaware limited liability company. Capitalized terms used but not defined herein have the meanings accorded to such terms in the Agreement.

The parties to this letter agreement hereby agree to modify the Agreement as follows:

1. Baseline Capital Expenditures Amount. The definition of "Baseline Capital Expenditures Amount" is hereby amended to mean $13,000,000.

2. Indebtedness Amount. Clause (ii) of the definition of "Indebtedness Amount" is hereby amended to read as follows: "(ii) the aggregate amount of Earn-Out Obligations included as Indebtedness shall be deemed to be $17,487,000, regardless of the actual book value or expected value of the Earn-Out Obligations at such time."

3. TH Entities. Team Health Rehab & Therapeutic Services, Inc.; EMZA, Inc.; Northwest Emergency Physicians, a California partnership; and St. Mary's South Family Health Center Joint Venture are not TH Entities.

4. Contracts. Neither the Existing Stockholder nor the Parent shall

be responsible pursuant to Section 8.2 of the Agreement to indemnify the Purchaser Parties or hold them harmless from and against or pay on behalf of or reimburse such Purchaser Parties (or make any contribution thereto) in respect of any Loss which any Purchaser Party may suffer, sustain, or become subject to, as a result of or relating to any matter described on the Contracts Schedule section of the Disclosure letter Update, dated March 11, 1999.

5. California Issue. Section 8.2(a) of the Agreement is hereby amended to include the following language as a new clause (ix) thereto: "(ix) the assumption of control of MedPartners Provider Network, Inc., a California health care service plan licensed under the Knox-Keene Health Care Service Act of 1975 ("MPN"), by the California Department of Corporations, the appointment of a conservator to manage MPN, the bankruptcy or insolvency of MPN, and/or any filing of any petition with respect thereto."

6. Insurance. The Parent and the Existing Stockholder agree to pay when due all premiums with respect to the Doctors Companies insurance coverage referenced on Exhibit L to the Agreement and agrees that if it does not do so, the Company may make such payments at its discretion, and take such payments into account in determining the amounts payable between the parties after the Closing pursuant to Section 2.6 of the Agreement.

7. Full Force. Except as expressly modified and superseded hereby, the Agreement does and will remain in full force and effect.

* * * * *

Very truly yours,

MEDPARTNERS, INC.

By: /s/ James H. Dickerson, Jr.

Its: Executive Vice President and

Chief Financial Officer

PACIFIC PHYSICIAN SERVICES, INC.

By: /s/ James H. Dickerson, Jr.

Its: Vice President

Accepted and Agreed:

TEAM HEALTH, INC.

By: /s/ H. Lynn Massingale

Its: President

TEAM HEALTH HOLDINGS, L.L.C.

By: /s/ H. Lynn Massingale

Its: President

EXHIBIT 99.2

TEAM HEALTH, INC.
REGISTRATION AGREEMENT

THIS REGISTRATION AGREEMENT (this "Agreement") is made as of March 12, 1999, by and among Team Health, Inc., a Tennessee corporation (the "Company"), Team Health Holdings, L.L.C., a Delaware limited liability company ("Holdings"), Pacific Physician Services, Inc., a Delaware corporation ("PPSI") and certain other stockholders of the Company who are from time to time a party hereto (Holdings, PPSI and such other stockholders who are parties hereto from time to time are collectively referred to as the "Stockholders" and individually as a "Stockholder"). Otherwise undefined capitalized terms used herein are defined in Section 9 hereof.

The execution and delivery of this Agreement by the Company, PPSI and Holdings is a condition to closing under that certain Recapitalization Agreement, dated as of January 25, 1999 (as amended from time to time, the "Recapitalization Agreement"), by and among the Company, Holdings, PPSI and MedPartners, Inc.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement hereby agree as follows:

Section 1. Demand Registrations.

(a) Requests for Registration. At any time, the holders of at least a majority of the Registrable Securities may request registration under the Securities Act of all or part of their Registrable Securities on Form S-1 or any similar long-form registration ("Long-Form Registrations") or, if available, on Form S-2 or S-3 or any similar short-form registration ("Short-Form Registrations"). All registrations requested pursuant to this Section 1(a) are

referred to herein as "Demand Registrations." Each request for a Demand Registration shall specify the approximate number of Registrable Securities requested to be registered and the anticipated per share price range for such offering. Within five business days after receipt of any such request, the Issuer shall give written notice of such requested registration to all other holders of Registrable Securities and, subject to Section 1(d) below, will include in such registration all Registrable Securities with respect to which the Issuer has received written requests for inclusion therein within five business days after the receipt of the Issuer's notice.

(b) Long-Form Registrations. The holders of the Registrable Securities shall be entitled to request three Long-Form Registrations ("Issuer-paid Long- Form Registrations") in which the Issuer will pay all Registration Expenses (as defined below in Section 5). A registration shall not count as one of the permitted Issuer-paid Long-Form Registrations until it has become effective (unless such Long-Form Registration has not become effective due solely to the fault of the holders requesting such registration), and no Issuer-paid Long-Form Registration shall count as one of the permitted Long-Form Registrations unless the holders of Registrable Securities requesting such registration register and sell at least 90% of the Registrable Securities requested to be included in such registration; provided that in any event the Issuer shall pay all Registration Expenses in connection with any registration initiated as an Issuer-paid Long-Form Registration whether or not it has become effective and whether or not such registration has counted as one of the permitted Issuer-paid Long-Form Registrations. All Long-Form Registrations shall be underwritten registrations.

(c) Short-Form Registrations. In addition to the Issuer-paid Long-Form Registrations provided pursuant to Section 1(b), the holders of the Registrable Securities shall be entitled to request an unlimited number of Short-Form Registrations in which the Issuer will pay all Registration Expenses. Demand Registrations will be Short-Form Registrations whenever the Issuer is permitted to use any applicable short form. After the Issuer has become subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, the Issuer shall use its best efforts to make Short-Form Registrations on Form S-3 available for the sale of Registrable Securities. All Short-Form Registrations shall be underwritten registrations, unless otherwise agreed to by the Issuer.

(d) Priority on Demand Registrations. The Issuer will not include in any Demand Registration any securities which are not Registrable Securities without the prior written consent of the holders of a majority of the

Registrable Securities included in such registration. If a Demand Registration is an underwritten offering and the managing underwriters advise the Issuer in writing that, in their opinion, the number of Registrable Securities and, if permitted hereunder, other securities requested to be included in such offering, exceeds the number of Registrable Securities and other securities, if any, which can be sold in an orderly manner in such offering within a price range acceptable to the holders of a majority of the Registrable Securities included in such registration, the Issuer will include in such registration (i) first, the number of Registrable Securities requested to be included in such registration which in the opinion of such underwriters can be sold in an orderly manner within the price range of such offering, pro rata among the respective holders thereof on the basis of the number of Registrable Securities owned by each such holder, and (ii) second, other securities requested to be included in such Demand Registration, pro rata among the holders of such securities on the basis of the number of such securities owned by each such holder. Any Persons other than holders of Registrable Securities who participate in Demand Registrations which are not at the Issuer's expense must pay their share of the Registration Expenses as provided in Section 5 hereof.

(e) Restrictions on Demand Registrations. The Issuer will not be obligated to effect any Demand Registration within 180 days after the effective date of a previous Demand Registration or a previous registration in which the holders of Registrable Securities were given piggyback rights pursuant to Section 2 and were able to sell at least 90% of the Registrable Securities requested to be included in such registration. The Issuer may postpone, for up to 180 days (from the date of the request), the filing or the effectiveness of a registration statement for a Demand Registration if the Issuer's board of directors, or similar governing entity, believes that such Demand Registration would reasonably be expected to have an adverse effect on any proposal or plan by the Issuer or any Subsidiary thereof to engage in any material acquisition of assets (other than in the ordinary course of business) or any material stock purchase, merger, consolidation, tender offer, reorganization, or similar transaction; provided, however, that in such event, the holders of Registrable Securities initially requesting such Demand Registration will be

entitled to withdraw such request and, if such request is withdrawn, such Demand Registration shall be treated as if it had never been made in the first instance, and the Issuer will pay all Registration Expenses in connection with such registration. The Issuer may delay a Demand Registration hereunder only once in any 12-month period.

(f) Selection of Underwriters. The holders of a majority of the Registrable Securities initially requesting registration hereunder will have the

right to select the investment banker(s) and manager(s) to administer the offering under such Demand Registration, subject to the Issuer's approval, which will not be unreasonably withheld.

(g) Other Registration Rights. Except as provided in this Agreement, the Issuer will not grant to any Persons the right to request that the Issuer register any equity securities of the Issuer, or any securities convertible into or exchangeable or exercisable for any such securities, without the prior written consent of the holders of at least a majority of the Registrable Securities.

Section 2. Piggyback Registrations.

(a) Right to Piggyback. Whenever the Issuer proposes to register any of its equity securities under the Securities Act (other than pursuant to a Demand Registration (which is addressed in Section 1 above rather than this Section 2) or a registration on Form S-4 or S-8 or any successor or similar forms) and the registration form to be used may be used for the registration of Registrable Securities (a "Piggyback Registration"), whether or not for sale for its own account, the Issuer will give prompt written notice to all holders of Registrable Securities of its intention to effect such a registration and, subject to Sections 2(c) and 2(d) below, will include in such registration all Registrable Securities with respect to which the Issuer has received written requests for inclusion therein within 20 days after the receipt of the Issuer's notice; provided that with respect to any Piggyback Registration, if the holders of at least a majority of the Registrable Securities determine that it would be in the best interests of the Issuer or the Issuer's stockholders that no Registrable Securities be included in such Piggyback Registration, then such holders may waive and forego, as against all holders of Registrable Securities, the inclusion of any Registrable Securities in such Piggyback Registration.

(b) Piggyback Expenses. In all Piggyback Registrations, the Registration Expenses of the holders of Registrable Securities will be paid by the Issuer.

(c) Priority on Primary Registrations. If a Piggyback Registration is an underwritten primary registration on behalf of the Issuer, and the managing underwriters advise the Issuer in writing (with a copy to each party hereto requesting registration of Registrable Securities) that, in their opinion, the number of securities requested to be included in such registration exceeds the number which can be sold in an orderly manner in such offering within a price range acceptable to the Issuer, the Issuer will include in such registration (i) first, the securities that the Issuer proposes to sell, (ii) second, the Registrable Securities requested to be included in such registration, pro rata

among the holders thereof on the basis of the number of Registrable Securities owned by each such holder, and (iii) third, other securities requested to be
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included in such registration pro rata among the holders of such securities on the basis of the number of such

other securities owned by each such holder.

(d) Priority on Secondary Registrations. If a Piggyback Registration
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is an underwritten secondary registration on behalf of holders of the Issuer's securities (it being understood that secondary registrations on behalf of holders of Registrable Securities are addressed in Section 1 above rather than in this Section 2(d)), and the managing underwriters advise the Issuer in writing (with a copy to each party hereto requesting registration of Registrable Securities) that, in their opinion, the number of securities requested to be included in such registration exceeds the number which can be sold in an orderly manner in such offering within a price range acceptable to the Issuer, the Issuer will include in such registration (i) first, the securities requested to
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be included therein by the holders requesting such registration, (ii) second,
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the Registrable Securities requested to be included in such registration, pro rata among the holders of such Registrable Securities on the basis of the number of Registrable Securities owned by each such requesting holder, and (iii) third,
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other securities requested to be included in such registration pro rata among the holders of such other securities on the basis of the number of such securities owned by each such holder.

(e) Selection of Underwriters. If any Piggyback Registration is an
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underwritten offering, the selection of the investment banker(s) and manager(s) for the offering must be approved by the holders of a majority of the Registrable Securities included in such Piggyback Registration, which approval shall not be unreasonably withheld.

(f) Withdrawal by Issuer. If, at any time after giving notice of its
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intention to register any of its securities as set forth in Section 2(a) and before the effective date of such registration statement filed in connection with such registration, the Issuer shall determine, for any reason, not to register such securities, the Issuer may, at its sole discretion, give written notice of such determination to each holder of Registrable Securities and thereupon shall be relieved of its obligation to register any Registrable Securities in connection with such registration (but not from its obligation to pay the Registration Expenses in connection therewith as provided herein).

(g) Other Registrations. If the Issuer has previously filed a registration statement with respect to Registrable Securities pursuant to Section 1 or pursuant to this Section 2, and if such previous registration has not been withdrawn or abandoned, the Issuer will not file or cause to be effected any other registration of any of its equity securities or securities convertible into or exchangeable or exercisable for its equity securities under the Securities Act (except on Form S-4 or S-8 or any successor form), whether on its own behalf or at the request of any holder or holders of such securities, until a period of at least 180 days has elapsed from the effective date of such previous registration.

Section 3. Holdback Agreements.

(a) Each holder of Registrable Securities agrees not to effect any public sale or distribution (including sales pursuant to Rule 144) of equity securities of the Issuer, or any securities, options, or rights convertible into or exchangeable or exercisable for such securities, during the seven days before and the 90-day period (but in the case of the Issuer's initial public

offering, the 180-day period) beginning on the effective date of any underwritten public offering of the Issuer's equity securities (including Demand and Piggyback Registrations) (except as part of such underwritten registration), unless the underwriters managing the registered public offering require a longer period, not to exceed 180 days beginning on the effective date of such underwritten public offering.

(b) The Issuer agrees (i) not to effect any public sale or distribution of its equity securities, or any securities convertible into or exchangeable or exercisable for such securities, during the seven days before and during the 180-day period beginning on the effective date of any underwritten public offering of the Issuer's equity securities (including Demand and Piggyback Registrations) (except as part of such underwritten registration or pursuant to registrations on Form S-4 or S-8 or any successor form), unless the underwriters managing the registered public offering otherwise agree, and (ii) to cause each holder of its Common Stock, or any securities convertible into or exchangeable or exercisable for Common Stock, purchased or otherwise acquired from the Issuer at any time after the date of this Agreement (other than in a registered public offering) to agree not to effect any public sale or distribution (including sales pursuant to Rule 144) of any such securities during any such period (except as part of such underwritten registration, if otherwise permitted), unless the underwriters managing the registered public offering otherwise agree.

Section 4. Registration Procedures. Whenever the holders of Registrable Securities have requested that any Registrable Securities be

registered pursuant to this Agreement, the Issuer will use its best efforts to effect the registration and the sale of such Registrable Securities in accordance with the intended method of disposition thereof and, pursuant thereto, the Issuer will as expeditiously as possible:

(a) prepare and file with the Securities and Exchange Commission a registration statement with respect to such Registrable Securities which registration statement shall comply as to form in all material respects with the requirements of applicable form and include all financial statements required by the Securities and Exchange Commission to be filed therewith, and thereafter use its best efforts to cause such registration statement to become effective (provided that, before filing a registration statement or prospectus or any amendments or supplements thereto, the Issuer will furnish to the counsel selected by the holders of a majority of the Registrable Securities covered by such registration statement and to PPSI's counsel copies of all such documents proposed to be filed, which documents will be subject to review of such counsel);

(b) prepare and file with the Securities and Exchange Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of either (i) not less than 180 days (subject to extension pursuant to Section 7(b)) or, if such registration statement relates to an underwritten offering, such longer period as in the opinion of counsel for the underwriters a prospectus is required by law to be delivered in connection with sales of Registrable Securities by an underwriter or dealer, or (ii) such shorter period as will terminate when all of the securities covered by such registration statement during such period have been

disposed of in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement (but, in any event, not before the expiration of any longer period required under the Securities Act), and to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement until such time as all of such securities have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement;

(c) respond as promptly as practicable to any comments received by the Securities and Exchange Commission with respect to such registration statement;

(d) furnish to each seller of Registrable Securities such number of copies of such registration statement, each amendment and supplement thereto, the prospectus included in such registration statement (including each preliminary prospectus), and such other documents as such seller may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such seller;

(e) use its best efforts to register or qualify such Registrable Securities under such other securities or blue sky laws of such jurisdictions as any seller reasonably requests and do any and all other acts and things which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the Registrable Securities owned by such seller (provided that the Issuer will not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subsection or (ii) subject itself to taxation in any such jurisdiction);

(f) notify each seller of such Registrable Securities, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, upon discovery that, or upon the discovery of the happening of any event as a result of which, the prospectus included in such registration statement contains an untrue statement of a material fact or omits any fact necessary to make the statements therein not misleading in the light of the circumstances under which they were made, and, at the request of any such seller, the Issuer will prepare, file and furnish to such seller a reasonable number of copies of a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading in the light of the circumstances under which they were made;

(g) cause all such Registrable Securities to be listed on each securities exchange on which similar securities issued by the Issuer are then listed and, if not so listed, to be listed on a securities exchange or the National Association of Securities Dealers ("NASD") automated quotation system
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and, if listed on the NASD automated quotation system, use its best efforts to secure designation of all such Registrable Securities covered by such registration statement as a "national market system security" of The Nasdaq Stock Market within the meaning of Rule 11Aa2-1 of the Securities and Exchange Commission or, failing that, to secure The Nasdaq Stock Market's authorization for such Registrable Securities and, without limiting the generality of the foregoing, to arrange for at least two market makers to register as such with respect to such Registrable Securities with the NASD;

(h) provide a transfer agent and registrar for all such Registrable Securities not later than the effective date of such registration statement;

(i) enter into such customary agreements (including underwriting agreements in customary form) and take all such other actions as the holders of a majority of the Registrable Securities being sold or the underwriters, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities (including, without limitation, effecting a stock split, combination of shares, recapitalization or reorganization);

(j) make available for inspection by any seller of Registrable Securities, any underwriter participating in any disposition pursuant to such registration statement, and any attorney, accountant, or other agent retained by any such seller or underwriter, all financial and other records, pertinent corporate and business documents and properties of the Issuer, and cause the Issuer's officers, directors, employees, agents, representatives, and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant, or agent in connection with such registration statement;

(k) otherwise use its best efforts to comply with all applicable rules and regulations of the Securities and Exchange Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least 12 months, beginning with the first day of the Issuer's first full calendar quarter after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder;

(l) permit any holder of Registrable Securities which holder, in its sole and exclusive judgment, might be deemed to be an underwriter or a controlling person of the Issuer to participate in the preparation of such registration or comparable statement and to require the insertion therein of material, furnished to the Issuer in writing, which in the reasonable judgment of such holder and its counsel should be included;

(m) in the event of the issuance of any stop order suspending the effectiveness of a registration statement, or of any order suspending or preventing the use of any related prospectus or suspending the qualification of any securities included in such registration statement for sale in any jurisdiction, the Issuer will provide notice of such order to the holders of Registrable Securities covered by such registration statement and will use its reasonable best efforts promptly to obtain the withdrawal of such order;

(n) use its reasonable best efforts to cause such Registrable Securities covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the sellers thereof to consummate the disposition of such Registrable Securities;

(o) obtain a cold comfort letter from the Issuer's independent public accountants in customary form and covering such matters of the type customarily covered by cold comfort

letters, which letter shall be addressed to the underwriters, and the Issuer shall use its reasonable best efforts to cause such cold comfort letter to also be addressed to the holders of such Registrable Securities;

(p) obtain an opinion from the Issuer's outside counsel in customary form and covering such matters of the type customarily covered by such opinions, which opinion shall be addressed to the underwriters and the holders of such Registrable Securities;

(q) at the request of any holder of Registrable Securities, notify such holder promptly (i) when any such registration statement and any post-effective amendments thereto have become effective and (ii) when any amendment or supplement to a prospectus forming a part of any such registration statement has been filed with the Securities and Exchange Commission; and

(r) cooperate with the holders of Registrable Securities to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any Securities Act legend; and enable certificates for such Registrable Securities to be issued for such numbers of shares and registered in such names as such holders may reasonably request at least two business days prior to any sale of Registrable Securities.

If any such registration or comparable statement refers to any holder by name or otherwise as the holder of any securities of the Issuer and if such holder, in its sole and exclusive judgment, is or might be deemed to be an underwriter or a controlling person of the Issuer, such holder shall have the right to require (i) the insertion therein of language, in form and substance satisfactory to such holder and presented to the Issuer in writing, to the effect that the holding by such holder of such securities is not to be construed as a recommendation by such holder of the investment quality of the Issuer's securities covered thereby, and that such holding does not imply that such holder shall assist in meeting any future financial requirements of the Issuer, or (ii) in the event that such reference to such holder by name or otherwise is not required by the Securities Act or any similar federal or state statute then in force, the deletion of the reference to such holder; provided that, with
respect to this clause (ii), such holder shall furnish to the Issuer an opinion of counsel to such effect, which opinion and counsel shall be reasonably satisfactory to the Issuer. The Issuer may require each seller of Registrable Securities as to which any registration is being effected to furnish the Issuer with such information regarding such seller and the distribution of such securities as the Issuer may from time to time reasonably request in writing.

Section 5. Registration Expenses.

(a) All expenses incident to the Issuer's performance of or compliance with this Agreement, including, without limitation, all registration and filing fees, fees and expenses of compliance with securities or blue sky laws, printing expenses, messenger and delivery expenses, fees and disbursements of custodians, fees and disbursements of counsel for the Issuer, and all independent certified public accountants, underwriters (excluding discounts and commissions), and other Persons retained by the Issuer (all such expenses being herein called "Registration Expenses"), will be borne as provided in this

Agreement, except that the Issuer will, in any event, pay its internal expenses (including, without limitation, all salaries and expenses of its officers

and employees performing legal or accounting duties), the expense of any annual audit or quarterly review, the expense of any liability insurance, and the expenses and fees for listing the securities to be registered on each securities exchange on which similar securities issued by the Issuer are then listed or, if none are so listed, on a securities exchange or the NASD automated quotation system.

(b) In connection with each Demand Registration and each Piggyback Registration, the Issuer shall reimburse the holders of Registrable Securities included in such registration for the reasonable fees and disbursements of one counsel chosen by the holders of a majority of the Registrable Securities included in such registration.

(c) To the extent Registration Expenses are not required to be paid by the Issuer, each holder of securities included in any registration hereunder will pay those Registration Expenses allocable to the registration of such holder's securities so included, and any Registration Expenses not so allocable will be borne by all sellers of securities included in such registration in proportion to the aggregate selling price of each seller's securities to be so registered.

Section 6. Indemnification.

(a) The Issuer agrees to indemnify and hold harmless, to the full extent permitted by law, each holder of Registrable Securities, its officers, directors, agents, and employees and each Person who controls such holder (within the meaning of the Securities Act) against any and all losses, claims, damages, liabilities, joint or several, together with reasonable costs and expenses (including reasonable attorney's fees), to which such indemnified party may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages, or liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of, are based upon, are caused by, or result from (i) any untrue or alleged untrue statement of material fact contained (A) in any registration statement, prospectus, or preliminary prospectus or any amendment thereof or supplement thereto, or (B) in any application or other document or communication (in this Section 6 collectively called an "application") executed by or on behalf of the Issuer or based upon written information furnished by or on behalf of the Issuer filed in any jurisdiction in order to qualify any securities covered by such registration statement under the "blue sky" or securities laws thereof, or (ii) any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Issuer will

reimburse such holder and each such director, officer, and controlling Person for any legal or any other expenses incurred by them in connection with investigating or defending any such loss, claim, liability, action, or proceeding; provided, however, that the Issuer shall not be liable in any such
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case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof), or expense arises out of, is based upon, is caused by, or results from an untrue statement or alleged untrue statement, or omission or alleged omission, made in such registration statement, any such prospectus or preliminary prospectus or any amendment or supplement thereto, or in any application, in reliance upon, and in conformity with, written information prepared and furnished to the Issuer by such holder expressly for use therein or solely by such holder's failure to deliver a copy of the prospectus or any amendments or supplements thereto after the Issuer has furnished such holder with a sufficient number of copies of the same. In connection with any underwritten offering, the Issuer will indemnify such

underwriters, their officers and directors, and each Person who controls such underwriters (within the meaning of the Securities Act) to the same extent as provided above with respect to the indemnification of the holders of Registrable Securities.

(b) In connection with any registration statement in which a holder of Registrable Securities is participating, each such holder will furnish to the Issuer in writing such information as the Issuer reasonably requests for use in connection with any such registration statement or prospectus and, to the full extent permitted by law, will indemnify and hold harmless the other holders of Registrable Securities and the Issuer, and their respective directors, officers, agents, and employees and each other Person who controls the Issuer (within the meaning of the Securities Act) against any losses, claims, damages, liabilities, joint or several, together with reasonable costs and expenses (including reasonable attorney's fees), to which such indemnified party may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages, or liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of, are based upon, are caused by, or result from (i) any untrue or alleged untrue statement of material fact contained in the registration statement, prospectus or preliminary prospectus or any amendment thereof or supplement thereto or in any application, or (ii) any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, but only to the extent that such untrue statement or omission is made in such registration statement, any such prospectus or preliminary prospectus or any amendment or supplement thereto, or in any application, in reliance upon and in conformity with written information prepared and furnished to the Issuer by such holder expressly for use therein; provided, however, that the obligation to indemnify will be individual to each
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holder and will be limited to the net amount of proceeds received by such holder from the sale of Registrable Securities pursuant to such registration statement.

(c) Any Person entitled to indemnification hereunder will (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification (provided that the failure to give prompt notice shall not impair any Person's right to indemnification hereunder to the extent such failure has not prejudiced the indemnifying party), and (ii) unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. If such defense is assumed, the indemnifying party will not be subject to any liability for any settlement made by the indemnified party without its consent (but such consent will not be unreasonably withheld). An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

(d) The indemnifying party shall not, except with the approval of each indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to each indemnified party of a

release from all liability in respect to such claim or litigation without any payment or consideration provided by such indemnified party.

(e) If the indemnification provided for in this Section 6 is unavailable to, or is insufficient to hold harmless, an indemnified party under the provisions above in respect to any losses, claims, damages, or liabilities referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Issuer on the one hand and the sellers of Registrable Securities and any other sellers participating in the registration statement on the other hand from the sale of Registrable Securities pursuant to the registered offering of securities as to which indemnity is sought, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Issuer on the one hand and of the sellers of Registrable Securities and any other sellers participating in the registration statement on the other hand in connection with the registration statement on the other in connection with the statement or omissions which resulted in such losses, claims, damages, or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Issuer on the one hand and the sellers of Registrable Securities and any other sellers participating in the registration

statement on the other hand shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) to the Issuer bear to the total net proceeds from the offering (before deducting expenses) to the sellers of Registrable Securities and any other sellers participating in the registration statement. The relative fault of the Issuer on the one hand and of the sellers of Registrable Securities and any other sellers participating in the registration statement on the other hand shall be determined by reference to, among other things, whether the untrue or alleged omission to state a material fact relates to information supplied by the Issuer or by the sellers of Registrable Securities or other sellers participating in the registration statement and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission.

(f) The Issuer and the sellers of Registrable Securities agree that it would not be just and equitable if contribution pursuant to this Section 6 were determined by pro rata allocation (even if the sellers of Registrable Securities were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 6, no seller of Registrable Securities shall be required to contribute any amount in excess of the net proceeds received by such seller from the sale of Registrable Securities covered by the registration statement filed pursuant hereto. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(g) The indemnification and contribution by any such party provided for under this Agreement shall be in addition to any other rights to indemnification or contribution which any indemnified party may have pursuant to law or contract and will remain in full force and effect regardless of any investigation made or omitted by or on behalf of the indemnified party or any officer, director, or controlling Person of such indemnified party and will survive the transfer of securities.

Section 7. Participation in Underwritten Registrations.

(a) No Person may participate in any registration hereunder which is underwritten unless such Person (i) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Person or Persons entitled hereunder to approve such arrangements (including, without limitation, pursuant to the terms of any over-allotment or "green shoe" option requested by the managing underwriter(s); provided that no holder of Registrable

Securities will be required to sell more than the number of Registrable Securities that such holder has requested the Issuer to include in any registration), and (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements, and other documents reasonably required under the terms of such underwriting arrangements.

(b) Each Person that is participating in any registration hereunder agrees that, upon receipt of any notice from the Issuer of the happening of any event of the kind described in Section 4(e) above, such Person will forthwith discontinue the disposition of its Registrable Securities pursuant to the registration statement until such Person's receipt of the copies of a supplemented or amended prospectus as contemplated by such Section 4(e). In the event that the Issuer shall give any such notice, the applicable time period mentioned in Section 4(b) during which a Registration Statement is to remain effective shall be extended by the number of days during the period from and including the date of the giving of such notice pursuant to this Section 7 to and including the date when each seller of a Registrable Security covered by such registration statement shall have received the copies of the supplemented or amended prospectus contemplated by Section 4(e).

Section 8. Current Public Information. At all times after the Issuer has filed a registration statement with the Securities and Exchange Commission pursuant to the requirements of either the Securities Act or the Securities Exchange Act, the Issuer will timely file all reports required to be filed by it under the Securities Act and the Securities Exchange Act and the rules and regulations adopted by the Securities and Exchange Commission thereunder, and will take such further action as any holder or holders of Registrable Securities may reasonably request, all to the extent required to enable such holders to sell Registrable Securities pursuant to Rule 144 adopted by the Securities and Exchange Commission under the Securities Act (as such rule may be amended from time to time) or any similar rule or regulation hereafter adopted by the Securities and Exchange Commission.

Section 9. Definitions.

"Common Stock" means the Common Stock of the Company, $0.01 par value, and any

capital stock of any class of the Company hereafter authorized which is not limited to a fixed sum or percentage of par or stated value in respect to the rights of the holders thereof to participate in dividends or in the distribution of assets upon any liquidation, dissolution or winding up of the Company.

"Issuer" means the Company; provided that, from and after the time

that the Company or any of its successors becomes subject to the reporting requirements of the Securities Exchange Act, the term "Issuer" shall mean the entity that is subject to such reporting requirements.

"Registrable Securities" means (i) all Common Stock of the Company originally issued, directly or indirectly, to any Stockholder, (ii) all shares of Common Stock of the Company issued or issuable, directly or indirectly, with respect to the securities referred to in clause (i) above upon exercise, conversion, or exchange or by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation, or other reorganization, and (iii) all other shares of Common Stock of the Company held by Persons holding securities described in clauses (i) and (ii) above. As to any particular Registrable Securities, such securities shall cease to be Registrable Securities when they have been distributed to the public pursuant to an offering registered under the Securities Act or sold to the public through a broker, dealer, or market maker in compliance with Rule 144 under the Securities Act (or any similar rule then in force). For purposes of this Agreement, a Person shall be deemed to be a holder of Registrable Securities, and the Registrable Securities shall be deemed to be in existence, whenever such Person has the right to acquire directly or indirectly such Registrable Securities (upon conversion or exercise in connection with a transfer of securities or otherwise, but disregarding any restrictions or limitations upon the exercise of such right), whether or not such acquisition has actually been effected, and such Person shall be entitled to exercise the rights of a holder of Registrable Securities hereunder.

"Person" means an individual, a partnership, a joint venture, an association, a joint stock company, a corporation, a limited liability company, a trust, an unincorporated organization, and a governmental entity or any department, agency, or political subdivision thereof.

"Securities Act" means the Securities Act of 1933, as amended, or any similar federal law then in force.

"Securities and Exchange Commission" includes any governmental body or agency succeeding to the functions thereof.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended, or any similar federal law then in force.

"Subsidiary" or "Subsidiaries" means, with respect to any Person, any corporation, limited liability company, partnership, association, or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any

contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the

other Subsidiaries of such Person or a combination thereof, or (ii) if a limited liability company, partnership, association, or other business entity, a majority of the partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of such Person or entity or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association, or other business entity if such Person or Persons shall be allocated a majority of limited liability company, partnership, association, or other business entity gains or losses or shall be or control any managing director or general partner of such limited liability company, partnership, association, or other business entity.

Section 10. Miscellaneous.

(a) No Inconsistent Agreements. The Company will not hereafter enter into any agreement with respect to the Company's securities which is inconsistent with or violates the rights granted to the holders of Registrable Securities in this Agreement.

(b) Adjustments Affecting Registrable Securities. The Company will not take any action, or permit any change to occur, with respect to the Company's securities which would adversely affect the ability of the holders of Registrable Securities to include such Registrable Securities in a registration undertaken pursuant to this Agreement or which would adversely affect the marketability of such Registrable Securities in any such registration (including, without limitation, effecting a stock split, combination of shares, or other recapitalization).

(c) Additional Stockholders. In connection with the issuance of any additional equity securities of the Company to any Person, the Company may permit such Person to become a party to this Agreement and succeed to all of the rights and obligations of a "Stockholder" under this Agreement by obtaining the consent of the holders of a majority of the Registrable Securities and an executed counterpart signature page to this Agreement, and, upon such execution, such Person shall for all purposes be a "Stockholder" party to this Agreement.

(d) Amendment and Waiver. Except as otherwise provided herein, no modification, amendment, or waiver of any provision of this Agreement will be

effective against the Company or the holders of Registrable Securities, unless such modification, amendment, or waiver is approved in writing by the Company and the holders of at least a majority of the Registrable Securities; provided, however, that in the event that such amendment or waiver would materially and adversely affect a holder or group of holders of Registrable Securities in a manner substantially different than any other holders of Registrable Securities, then such amendment or waiver will require the consent of such holder of Registrable Securities or a majority of the Registrable Securities held by such group of holders materially and adversely affected. Notwithstanding the foregoing, if an amendment or modification of this Agreement serves merely to add a party hereto, then such amendment or modification will be effective against the Company, and the holders of Registrable Securities if such amendment or modification is approved in writing by the Company, the holders of at least a majority of the Registrable Securities, and such new party hereto. The failure of any party to enforce any of the provisions of this Agreement will in no way be construed as a waiver of such provisions and will not affect

the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms.

(e) Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal, or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality, or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed, and enforced in such jurisdiction as if such invalid, illegal, or unenforceable provision had never been contained herein.

(f) Entire Agreement. Except as otherwise expressly set forth herein, this Agreement, those documents expressly referred to herein, and the other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements, or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

(g) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns. In addition, and whether or not any express assignment shall have been made, the provisions of this Agreement which are for the benefit of the holders of Registrable Securities (or any portion thereof) as such shall be for the benefit of, and enforceable by, any subsequent holder of any Registrable Securities (or of such portion thereof).

(h) Counterparts. This Agreement may be executed in separate counterparts each of which will be an original and all of which taken together shall constitute one and the same agreement.

(i) Remedies. Any Person having rights under any provision of this Agreement shall be entitled to enforce their rights under this Agreement specifically to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights existing in their favor. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any Stockholder may in its sole discretion apply to any court of competent jurisdiction for specific performance and/or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of the provisions of this Agreement.

(j) Notices. All notices, demands, and other communications given or delivered under this Agreement shall be in writing and shall be deemed to have been given, (i) when received if given in person, (ii) on the date of electronic confirmation of receipt if sent by telex, facsimile or other wire transmission, (iii) three days after being deposited in the U.S. mail, certified or registered mail, postage prepaid, or (iv) one day after being deposited with a reputable overnight courier. Notices, demands, and communications to the Parties shall, unless another address is specified in writing, be sent to the address or telecopy number indicated below for the initial parties to this Agreement and to any subsequent holder of Registrable Securities

subject to this Agreement at such address as is indicated in the Company's records:

The Company:

Team Health, Inc.
1900 Winston Road, Suite 300
Knoxville, Tennessee 37919
Attention: President
Fax No. (423) 539-8052

Holdings:

Team Health Holdings, L.L.C.
c/o Madison Dearborn Capital
Partners II, L.P.

with a copy to:

Kirkland & Ellis
200 East Randolph
Chicago, Illinois 60601

Three First National Plaza, Suite 3800
Chicago, Illinois 60602
Attention: Timothy Sullivan
Fax No. (312) 895-1001

Attention: Sanford E. Perl, Esq.
Fax No. (312) 861-2200

PPSI:
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c/o MedPartners, Inc.
3000 Galleria Tower, Suite 1000
Birmingham, Alabama 35244
Fax No. (205) 982-7709
Attention: Legal Services

(k) Governing Law. The corporate law of the State of Tennessee shall govern all issues and questions concerning the relative rights and obligations of the Company and its stockholders. All other issues and questions concerning the construction, validity, enforcement, and interpretation of this Agreement and the exhibits and schedules hereto shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

(l) No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

(m) Board Approval. Whenever this Agreement calls for or refers to the consent or approval of any matter by any holder of Registrable Securities, such consent or approval shall be deemed given by such holder if each of such holder's designees on the Company's board of directors (the "Board") has, in his capacity as a director of the Company, given his consent or approval with respect to such matter at a duly convened meeting of the Board or pursuant to an

effective unanimous written consent of the Board, unless, with respect to any given matter, such holder notifies the Company in writing that the consent or approval at the Board level by such holder's designees on the Board does not constitute the consent or approval by such holder itself.

(n) Business Days. If any time period for giving notice or taking action hereunder expires on a day which is a Saturday, Sunday or legal holiday

in the state in which the Company chief-executive office is located, the time period shall automatically be extended to the business day immediately following such Saturday, Sunday or legal holiday.

(o) Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Registration Agreement on the day and year first above written.

TEAM HEALTH, INC.

By: /s/ H. Lynn Massingale

Its: President

TEAM HEALTH HOLDINGS, L.L.C.

By: /s/ Timothy Sullivan

Its: Vice President

PACIFIC PHYSICIAN SERVICES, INC.

By: /s/ James H. Dickerson

Its: Vice President

EXHIBIT 99.3

TEAM HEALTH, INC.
STOCKHOLDERS AGREEMENT

THIS STOCKHOLDERS AGREEMENT (this "Agreement") is made as of March 12, 1999, by and among Team Health, Inc., a Tennessee corporation (the "Company"), Team Health Holdings, L.L.C., a Delaware limited liability company ("Holdings"), Pacific Physicians Services Inc., a Delaware corporation ("PPSI"), and certain other stockholders of the Company who are from time to time party hereto (Holdings, PPSI and such other stockholders who are parties hereto from time to time are collectively referred to as the "Stockholders" and individually as a "Stockholder"). Each Stockholder and the Company are referred to individually as a "Party" and collectively as the "Parties." Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in Section 6 hereof.

WHEREAS, the Company and the Stockholders desire to enter into this Agreement for the purposes, among others, of (i) establishing the composition of the Company's board of directors (the "Board"), (ii) assuring continuity in the management and ownership of the Company and (iii) limiting the manner and terms by which the Stockholder Shares may be transferred.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

Section 1. Board of Directors.

(a) From and after the date hereof and until the provisions of this Section 1 cease to be effective, each Stockholder (other than PPSI, which will not be subject to this Section 1) shall vote all of his or its Stockholder Shares and any other voting securities of the Company over which such Stockholder has voting control and shall take all other necessary or desirable actions within his or its control (whether in his or its capacity as a stockholder, director, member of a board committee or officer of the Company or otherwise, and including, without limitation, attendance at meetings in person or by proxy for purposes of obtaining a quorum and execution of written consents in lieu of meetings), and the Company shall take all necessary and desirable

actions within its control (including, without limitation, calling special board and stockholder meetings), in order to cause:

(i) the authorized number of directors on the Board to be the amount necessary to allow for the designations provided for pursuant to Section 1(a)(ii) below;

(ii the following persons to be elected to the Board (each a

"Director"):

(A) as long as MDCP is a beneficial owner of Stockholder Shares (directly or indirectly), then up to two representatives designated by MDCP from time to time (the "MDCP Directors"), with
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Timothy P. Sullivan and

Nicholas W. Alexos serving as the initial MDCP Directors;

(B) as long as Cornerstone is a beneficial owner of Stockholder Shares (directly or indirectly), then up to two representatives designated by Cornerstone from time to time (the

"Cornerstone Directors"), with Dana O'Brien and Tyler Wolfram serving
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as the initial Cornerstone Directors;

(C) as long as HEP is a beneficial owner of Stockholder Shares (directly or indirectly), then one representative designated by HEP from time to time (the "HEP Director"), with Kenneth O'Keefe
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serving as the initial HEP Director;

(D) the Company's Chief Executive Officer (the "Management

Director"), with Lynn Massingale, MD serving as the initial Management
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Director; and

(E) one representative nominated by the Sponsors (determined on the basis of a vote of a majority of the Common Units of Holdings (as defined in Holding's Amended and Restated Limited Liability Company Agreement, dated March 12, 1999, by and among its members) held by such Persons) as long as such representative is acceptable to the Management Investors (determined on the basis of a vote of a majority of the Common Units of Holdings held by such Persons) (the "Outside Director"); provided that no such Outside Director shall be a
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member of the Company's or any Sponsor's management or an employee or

officer of the Company or its Subsidiaries or any Sponsor; provided further that if such Persons are unable to agree on an Outside Director, such position shall remain vacant until such Persons can so agree;

(iii) the composition of the board of directors of each of the Company's subsidiaries (a "Sub Board") shall be as determined by the Board;

(iv) the removal from the Board or a Sub Board (with or without cause) of any Director shall be only upon the written request of the person or persons originally entitled to designate such Director pursuant to Section 1(a)(ii) above; provided that if any director elected pursuant to subsection (ii)(D) above ceases to be the specified officer of the Company, he shall be removed as a director promptly after such officership position ceases and his replacement will be substituted therefor; and

(vi) in the event that any representative designated hereunder for any reason ceases to serve as a member of the Board or a Sub Board during his term of office, the resulting vacancy on the Board or the Sub Board shall be filled by a representative designated by the person or persons originally entitled to designate such Director pursuant to Section 1(a)(ii) above.

(b) The Board will use reasonable efforts to hold at least four meetings of the Board

during every fiscal year, at least one of which should be held in each 120-day period during the Company's fiscal year. The Company shall pay all out-of-pocket expenses incurred by each Director in connection with attending regular and special meetings of the Board or any Sub Board. So long as any Director designated hereunder serves on the Board and for at least three years thereafter, the Company shall use its best efforts to obtain and to maintain directors and officers indemnity insurance coverage at a commercially reasonable price satisfactory to the holders of a majority of the Common Stockholder Shares and the Company's charter and bylaws shall provide for indemnification and exculpation of Directors to the fullest extent permitted under applicable law.

(c) If any party fails to designate a representative to fill a directorship pursuant to the terms of this Section 1, the election of a person to such directorship shall be accomplished in accordance with the Company's bylaws and applicable law.

Section 2. Restrictions on Transfer of Stockholder Shares.

(a) Retention of Executive Stock. No Management Investor shall sell,

transfer, assign, pledge or otherwise dispose of (whether with or without consideration and whether voluntarily or involuntarily or by operation of law) any interest in any Stockholder Shares (a "Transfer"), except (i) to the Company, (ii) pursuant to the provisions of Sections 2(b), 2(d) or 3 below, or (iii) pursuant to a Public Sale.

(b) Participation Rights. At least 40 days prior to Transfer of any Stockholder Shares by any Stockholder which, together with its Affiliates and Permitted Transferees, holds at least 10% of the Company's Common Stockholder Shares as of immediately prior to such Transfer (a "Significant Stockholder") (other than pursuant to (i) a Public Sale or (ii) a Transfer under Section 2(d) or Section 3), the transferring Significant Stockholder will deliver a written notice (the "Sale Notice") to the Company and the other Stockholders (the "Other Stockholders"), specifying in reasonable detail the identity of the prospective transferee(s), the Stockholder Shares to be sold and the terms and conditions of the Transfer. In the event that the Other Stockholders hold shares of the class of Stockholder Shares to be transferred, they may elect to participate in the contemplated Transfer by delivering written notice to the transferring Significant Stockholder within 15 days after delivery of the Sale Notice.

If any Other Stockholders have elected to participate in such Transfer ("Participating Stockholders"), the transferring Significant Stockholder and each Participating Stockholder will be entitled to sell in the contemplated Transfer, at the same price and on the same terms, a number of Stockholder Shares of such class equal to the product of (i) the quotient determined by dividing the number of Stockholder Shares of such class held by such Person by the aggregate number of Stockholder Shares of such class owned by the transferring Significant Stockholder and all Participating Stockholders and (ii) the number of Stockholder Shares of such class to be sold in the contemplated Transfer; provided that for purposes of the foregoing, (A) Stockholder Shares which have not vested (and will not vest as a result of such transaction) or are subject to repurchase by the Company for less than fair market value shall not be considered to be Stockholder Shares and (B) all Stockholder Shares held by any Permitted Transferee of any

Other Stockholder shall be deemed held by such Other Stockholder himself or itself; provided further that if the Significant Stockholder intends to Transfer a strip of two or more classes of Stockholder Shares and any Other Stockholder (including his or its Permitted Transferees) holds all such classes of Stockholder Shares, such Other Stockholder may only participate in such Transfer if such Other Stockholder participates with respect to all such classes of Stockholder Shares. The transferring Significant Stockholder shall use its best

efforts to obtain the agreement of the prospective transferee(s) to the participation of the Participating Stockholders in any contemplated Transfer, and the transferring Significant Stockholder shall not Transfer any of its Stockholder Shares to the prospective transferee(s) unless (1) the prospective transferee(s) agrees to allow the participation of the Participating Stockholders or (2) the transferring Significant Stockholder agrees to purchase the number of such class of Stockholder Shares from any Participating Stockholders which the Participating Stockholders would have been entitled to sell pursuant to this Section 2(b). Each Stockholder involved in any transaction pursuant to this Section 2(b) shall be required to bear its pro rata share (based upon the number of shares sold or the number of shares to be acquired pursuant to options or other rights) of the expenses incurred by the Stockholders in connection with such transaction to the extent such costs are incurred for the benefit of all such Stockholders and are not otherwise paid by the Company or the acquiring party and each Stockholder shall be obligated to join on a pro rata basis (based on the number of shares sold or the number of shares to be acquired pursuant to options or other rights) in any representations, warranties, indemnification provisions or other obligations (including without limitation any escrow arrangements) that the Significant Stockholder agrees to provide in connection with such transaction (other than any such obligations that relate specifically to a particular Stockholder such as indemnification with respect to representations and warranties given by a Stockholder regarding such Stockholder's title to and ownership of Stockholder Shares).

(c) First Refusal Rights. At least 40 days prior to any Transfer of
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Stockholder Shares by any Stockholder which, together with its Affiliates and Permitted Transferees, holds less than 10% of the Company's Common Stockholders Shares as of immediately prior to such Transfer (other than pursuant to (i) a Public Sale, (ii) a Transfer to the Company, or (iii) a Transfer under Section 2(b), Section 2(d) or Section 3), the Stockholder making such Transfer (the

"Minority Transferor") shall deliver a written notice (the "Transfer Notice") to
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the Company and each Significant Stockholder that it desires to Transfer Stockholder Shares of such class, specifying in reasonable detail the identity of the prospective transferee(s), the number to be transferred and the terms and conditions of the Transfer, including the proposed price per Stockholder Share of such class (which price shall be payable solely in cash at the closing of the transaction or in installments over time). The Company may elect to purchase all or any portion of the Stockholder Shares to be transferred, upon the same terms and conditions as those set forth in the Transfer Notice, by delivering a written notice of such election to the Minority Transferor within 15 days after the Transfer Notice has been given to the Company. If for any reason the Company does not elect to purchase all of the Stockholder Shares to be transferred, the Significant Stockholder(s) shall be entitled to purchase the Stockholder Shares which the Company has not elected to purchase (the "Available
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Shares"), upon the same terms and conditions as those set forth in the Transfer
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Notice, by giving written notice of such election to the Minority Transferor within 30 days after the Transfer Notice has been given to the Significant Stockholder(s). If

more than one Significant Stockholder elects to purchase the Available Shares, the Available Shares will be allocated among such electing stockholders pro rata according to the number of Common Stockholder Shares owned by each such electing stockholder. The closing of the purchase of any Stockholder Shares pursuant to this Section 2(c) shall take place within 60 days after the date on which the parties to such purchase have been finally determined pursuant to this Section 2(c) which, in any event, shall be within 95 days after the Transfer Notice was delivered to the Company and the Significant Stockholders. Notwithstanding the foregoing, if the Company and the Significant Stockholder(s) do not elect to purchase, collectively, all of the Stockholder Shares of a class specified in the Transfer Notice, then the Minority Transferor may transfer all of the Stockholder Shares of such class specified in the Transfer Notice to the transferee(s) identified in the Transfer Notice for (i) a price no less than the price specified in the Transfer Notice and (ii) other terms no more favorable to the transferee(s) thereof than specified in the Transfer Notice, during the 90-day period immediately following the date on which the Transfer Notice has been given to the Company and the Significant Stockholder(s). Any Stockholder Shares not transferred within such 90-day period will be subject to the provisions of this Section 2(c) upon subsequent transfer.

(d) Permitted Transfers. The restrictions contained in this Section 2 shall not apply with respect to any Transfer of Stockholder Shares by any Stockholder:

(i) in the case of a Stockholder who is an individual, pursuant to applicable laws of descent and distribution, or among such individual's Family Group,

(ii) in the case of a Stockholder which is an entity, among such entity's Affiliates,

(iii) pursuant to any pledge agreement with Team Health's senior lenders,

(iv) in the case of Holdings, up to ten percent of each class of Stockholder Shares held by Holdings on the date hereof, to employees of, consultants to and advisors to (or any entity formed for their benefit) Holdings, the Company or any of its Affiliates; or

(v) in the case of PPSI, if a Sale of Holdings occurs and PPSI does not have the opportunity to participate in such sale to the same extent as if such event were taking place with respect to the Company, then during the 180 day period immediately following such Sale of Holdings, PPSI

may Transfer its Stockholder Shares to any third party;

provided that the restrictions contained in this Section 2 shall continue to be applicable to the Stock holder Shares after any of the foregoing Transfers; and provided further that prior to or in connection with such Transfer, the transferee of such Stockholder Shares shall have executed a Transfer Notice in the form attached hereto as Exhibit A pursuant to which such transferee agrees to be bound by the provisions of this Agreement and the Registration Agreement affecting

the Stockholder Shares so Transferred. Notwithstanding the foregoing, no Party shall avoid the provisions of this Agreement by making one or more Transfers to one or more Permitted Transferees and then disposing of all or any portion of such Party's interest in any such Permitted Transferee, or, in the case of an entity Stockholder, by permitting a Transfer of any ownership interests in such entity Stockholder. In addition, the restrictions contained in this Section 2 shall not apply with respect to PPSI's pledge of, or grant of a security interest in, the Stockholder Shares held by PPSI (it being understood that prior to any foreclosure or other repossession of any such pledged Stockholder Shares, the foreclosing or repossessing party shall have agreed in writing to be bound by the provisions of this Agreement affecting such pledged Stockholder Shares). All transferees permitted under this Section 2(d) are collectively referred to herein as "Permitted Transferees." Each Permitted Transferee shall be deemed a Stockholder for purposes of this Agreement.

(e) Other Agreements. Notwithstanding anything herein to the contrary, the rights of any Stockholder to Transfer any Stockholder Shares pursuant to the terms of this Agreement shall be subject to all such other limitations and restrictions, if any, to which such Stockholder or such Stockholder Shares are subject.

(f) Termination of Restrictions. The restrictions set forth in this Section 2 shall continue with respect to each Stockholder Share until the earlier of (i) the transfer of such Stockholder Share in a Public Sale, or (ii) the consummation of a Sale of the Company or a Public Offering.

Section 3. Sale of Company; Reorganization Prior to Public Offering.

(a) Approved Sale. Subject to Section 3(c) below, if the Company's

Board of Directors recommends or approves and the holders of a majority of the Common Stockholder Shares (the "Majority Holders") approve a Sale of the Company (an "Approved Sale"), each Stockholder agrees to vote for, consent to and raise no objections against the Approved Sale. If the Approved Sale is structured as a (i) merger or consolidation, each Stockholder shall waive any dissenters' rights, appraisal rights or similar rights in connection with such merger or consolidation or (ii) sale of stock, each Stockholder shall agree to sell all of its Stockholder Shares on the terms and conditions approved by the Majority Holders. Each Stockholder shall take all necessary or desirable actions in connection with the consummation of the Approved Sale as reasonably requested by the Majority Holders and/or the Company.

(b) Reorganization Prior to Public Offering. Subject to Section 3(c) below, if the Company's Board of Directors recommends or approves and the Majority Holders approve a reorganization of the Company in connection with a proposed initial Public Offering by the Company (the "Approved Reorganization"), each Stockholder agrees to vote for, consent to and raise no objections against the Approved Reorganization. If the Approved Reorganization is structured as a (i) merger or consolidation, each Stockholder shall waive any dissenters' rights, appraisal rights or similar rights in connection with such merger or consolidation or (ii) sale of stock, each Stockholder shall agree to sell all of its Stockholders Shares on the terms and conditions approved by the Majority Holders. Each Stockholder shall take all necessary or

desirable actions in connection with the consummation of the Approved Reorganization as reasonably requested by the Majority Holders and/or the Company.

(c) Obligations of Stockholders. In connection with an Approved Sale or Approved Reorganization: (i) upon the consummation of the Approved Sale or Approved Reorganization, all of the holders of each class of Stockholder Shares shall receive the same form and amount of consideration per share of Stockholder Shares as the other holders of such class, or if any holders of a class of Stockholder Shares are given an option as to the form and amount of consideration to be received, all holders of such class shall be given the same option; and (ii) all holders of then currently exercisable rights to acquire Stockholder Shares shall be given reasonable prior notice of such Approved Sale or Approved Reorganization and a reasonable opportunity, at such holder's election and except as otherwise provided for in any related stock option agreement, to either (A) exercise such rights prior to the consummation of the Approved Sale or Approved Reorganization and participate in such sale as holders of Stockholder Shares or (B) upon the consummation of the Approved Sale

or Approved Reorganization, receive in exchange for such rights consideration equal to the amount determined by multiplying (1) the same amount of consideration per share of a class of Stockholder Shares received by holders of such class of Stockholder Shares in connection with the Approved Sale less the exercise price per share of such class of Stockholder Shares of such rights to acquire such class of Stockholder Shares by (2) the number of shares of such class of Stockholder Shares represented by such rights.

(d) Purchaser Representative. If any transaction undertaken pursuant to this Section 3 involves entering into any negotiation or transaction for which Rule 506 under the Securities Act (or any similar rule then in effect) promulgated by the Securities and Exchange Commission may be available with respect to such negotiation or transaction (including a merger, consolidation or other reorganization), those Stockholders involved in such transaction who are not "accredited investors" (as such term is defined in Rule 501 under the Securities Act) (the "Unaccredited Stockholders") shall, at the request of the Company or the Majority Holders, appoint one "purchaser representative" (as such term is defined in Rule 501 under the Securities Act (or any similar rule then in effect)) for all such Unaccredited Stockholders reasonably acceptable to the Company. The Company shall first propose a purchaser representative to the Unaccredited Stockholders. If holders of a majority of the Common Stockholders Shares held by the Unaccredited Stockholders do not approve the purchaser representative designated by the Company, such holders shall appoint one purchaser representative to represent all Unaccredited Stockholders, subject to the approval of the Company (which approval shall not be unreasonably withheld). The Company shall be responsible for the fees of the purchaser representative so appointed.

(e) Transaction Costs and Indemnity. Each Stockholder involved in any transaction pursuant to this Section 3 shall be required to bear its pro rata share (based upon the number of shares sold or the number of shares to be acquired pursuant to options or other rights) of the expenses incurred by the Stockholders in connection with such transaction to the extent such costs are incurred for the benefit of all such Stockholders and are not otherwise paid by the Company or the acquiring party and each Stockholder shall be obligated to join on a pro rata basis (based on the number of shares sold or the number of shares to be acquired pursuant to

options or other rights) in any representations, warranties, indemnification provisions or other obligations (including without limitation any escrow arrangements) that the Majority Holders agree to provide in connection with such transaction (other than any such obligations that relate specifically to a particular Stockholder such as indemnification with respect to representations and warranties given by a Stockholder regarding such Stockholder's title to and ownership of Stockholder Shares); provided that no Stockholder shall be

obligated in connection with such transaction to agree to indemnify or hold harmless the transferees with respect to an amount in excess of the net after tax consideration received by such Stockholder in connection with such transaction. Costs incurred by any such Stockholder on its own behalf shall not be considered costs of the transaction hereunder.

(f) Holdings Public Offering. Without the prior written consent of PPSI, Holdings shall not consummate an underwritten public offering registered under the Securities Act (a "Holdings Public Offering") unless PPSI is permitted to participate in such Holdings Public Offering to the same extent as if such event were taking place with respect to the Company.

Section 4. Preemptive Rights.

(a) If the Company authorizes the issuance or sale of any equity securities of the Company or any securities containing options or rights to acquire any equity securities of the Company to any Sponsor (the "New Securities"), the Company shall first offer to sell to each Stockholder who at the time is a holder of Stockholder Shares, at the same price and on the same terms, a portion of the total number of such New Securities equal to the quotient of (i) the number of Common Stockholder Shares held by such Person and its Permitted Transferees divided by (ii) the total number of Common Stockholder Shares.

(b) In order to exercise its purchase rights pursuant to this Section, a Stockholder must within ten business days after receipt of written notice from the Company (the "Issuance Notice") describing in reasonable detail the New Securities being offered, the purchase price thereof, the payment terms and such Stockholder's percentage allotment, deliver a written notice to the Company describing its election to purchase all or any portion of its pro rata share determined pursuant to the immediately preceding paragraph.

(c) If a Stockholder purchases all or any portion of any New Securities offered pursuant to this Section, such Stockholder shall be required to concurrently purchase an equal proportion of each other class of debt or equity securities of the Company or any of its Subsidiaries which are issued contemporaneously in conjunction with such New Securities, if any, so long as the Issuance Notice described all such classes of securities being offered.

(d) During the 90 days after the expiration of the offering periods described above, the Company shall be entitled to sell any New Securities which the Stockholders have not elected to purchase, on terms and conditions no more favorable to the Sponsors than those offered to the Stockholders. At the Company's election, the Company may consummate the sale of any New Securities

(and related debt or other equity securities) contemplated hereunder to any Stockholder pursuant to this Section 4 at any time after receipt of the notices contemplated by

paragraph (b) above, including concurrently with the sale of such New Securities to parties other than the Stockholders. Any New Securities offered or sold by the Company to the Sponsors after such 180-day period must be reoffered to the Stockholders pursuant to the terms of this paragraph.

Section 5. Additional Restrictions on Transfer.

(a) Restricted Securities Legend. The Stockholder Shares have not been registered under the Securities Act and, therefore, in addition to the other restrictions on Transfer contained in this Agreement, cannot be sold unless subsequently registered under the Securities Act or an exemption from such registration is then available. Each certificate evidencing Stockholder Shares and each certificate issued in exchange for or upon the Transfer of any Stockholder Shares shall be stamped or otherwise imprinted with a legend in substantially the following form:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE WERE ORIGINALLY ISSUED ON _____, AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN EXEMPTION FROM REGISTRATION THEREUNDER. THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER SPECIFIED IN THE STOCKHOLDERS AGREEMENT, DATED AS OF MARCH 12, 1999 (THE "STOCKHOLDERS AGREEMENT"), AS AMENDED AND MODIFIED FROM TIME TO TIME, AMONG THE ISSUER (THE "COMPANY"), AND CERTAIN INVESTORS, AND THE COMPANY RESERVES THE RIGHT TO REFUSE THE TRANSFER OF SUCH SECURITIES UNTIL SUCH CONDITIONS HAVE BEEN FULFILLED WITH RESPECT TO ANY TRANSFER. A COPY OF THE STOCKHOLDERS AGREEMENT SHALL BE FURNISHED BY THE COMPANY TO THE HOLDER HEREOF UPON WRITTEN REQUEST AND WITHOUT CHARGE."

The Company shall imprint such legend on certificates evidencing Stockholder Shares. The legend set forth above shall be removed from the certificates evidencing any securities of the Company which cease to be Stockholder Shares in accordance with the definition thereof.

(b) Opinion of Counsel. No holder of Stockholder Shares may Transfer any Securities (except (i) pursuant to an effective registration statement under

the Securities Act, (ii) to a wholly-owned Affiliate or (iii) as part of a Public Sale) without first delivering to the Company (unless waived by the Board of Directors) an opinion of counsel (reasonably acceptable in form and substance to the Board of Directors) that neither registration nor qualification under the Securities Act and applicable state securities laws is required in connection with such Transfer. The conditions to Transfer set forth in this Section 5(b) are in addition to any other restrictions on Transfer contained in this Agreement.

(c) Actions By Transferee. Prior to Transferring any Stockholder Shares (other than

pursuant to a Public Sale), the Transferring holder of Stockholder Shares shall cause the prospective transferee to be bound by this Agreement and to execute and deliver to the Company and the other holders of Stockholder Shares counterparts to this Agreement.

(d) Transfers in Violation of Agreement. Any Transfer or attempted Transfer of any Stockholder Shares in violation of any provision of this Agreement shall be void, and the Company shall not record such Transfer on its books or treat any purported transferee of such Stockholder Shares as the owner of such shares for any purpose.

Section 6. Definitions.

"Affiliate" of any particular Person means any other Person controlling, controlled by or under common control with such particular Person, where "control" means the possession, directly or indirectly, of the power to direct the management and policies of a Person whether through the ownership of voting securities, contract or otherwise, and if such Person is a partnership, "Affiliate" shall also mean each general partner and limited partner of such Person.

"Common Stock" means the Common Stock of the Company, $0.01 par value, and any capital stock of any class of the Company or any of its successors hereafter authorized which is not limited to a fixed sum or percentage of par or stated value in respect to the rights of the holders thereof to participate in dividends or in the distribution of assets upon any liquidation, dissolution or winding up of the Company.

"Common Stockholder Shares" means Stockholder Shares which are (i) Common Stock, (ii) warrants, options or other rights to subscribe for or to

acquire, directly or indirectly, Common Stock, whether or not then exercisable or convertible, and (iii) stock or other securities which are convertible into or exchangeable for, directly or indirectly, Common Stock, whether or not then convertible or exchangeable. As to any particular Common Stockholder Shares, such shares shall cease to be Common Stockholder Shares when they have been disposed of in a Public Sale or repurchased by the Company or any Subsidiary. References in this Agreement to a majority of, or a certain percentage of, the Common Stockholder Shares, shall be deemed to be references to a majority of the Common Stock represented by the Common Stockholder Shares or a certain percentage of the Common Stock represented by the Common Stockholder Shares, calculated on a fully-diluted basis, as applicable.

"Cornerstone" means Cornerstone Equity Investors IV, L.P. and each of its Affiliates.

"Family Group" means, with respect to any Stockholder, such Stockholder's spouse, siblings, parents and descendants (whether natural or adopted), any trust, corporation, partnership or limited liability company solely for the benefit of such Stockholder and/or such Stockholder's spouse, siblings, parents, and/or descendants (whether natural or adopted) (and the beneficiaries of such trusts upon their dissolution), and such Stockholder's heirs, devises or estate upon such Stockholder's death.

"HEP" means Healthcare Equity Partners, L.P., Healthcare Equity Q.P. Partners, L.P. and

each of their Affiliates.

"Independent Third Party" means any Person who, immediately prior to the contemplated transaction, does not own in excess of 15% of the Common Stockholder Shares (a "15% Owner"), who is not an Affiliate of any such 15% Owner and who is not the spouse or descendent (by birth or adoption) of any such 15% Owner or a trust for the benefit of any such 15% Owner and/or such other Persons.

"Management Investors" means any person who, at the time of his acquisition of Stockholder Shares, was an employee of the Company or any of its Subsidiaries or received such stock in contemplation of becoming an employee of the Company or any of its Subsidiaries.

"MDCP" means Madison Dearborn Capital Partners II, L.P. and each of

its Affiliates.

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

"Public Offering" means the sale in an underwritten public offering registered under the Securities Act of shares of any class of the Common Stock.

"Public Sale" means any sale of Stockholder Shares to the public pursuant to an offering registered under the Securities Act or to the public through a broker, dealer or market maker pursuant to the provisions of Rule 144 under the Securities Act.

"Registration Agreement" means that certain Registration Agreement, dated as of the date hereof, by and among the Company, Holdings and PPSI, as amended, modified and/or supplemented from time to time.

"Sale of the Company" means the sale of the Company to an Independent Third Party or group of Independent Third Parties pursuant to which such party or parties acquire (i) capital stock of the Company possessing the voting power under normal circumstances (e.g., without giving effect to the provisions of Section 1 of this Agreement) to elect a majority of the Company's Board of Directors (whether by merger, consolidation, sale or transfer of the Company's capital stock) or (ii) more than 50% of the Company's assets determined on a consolidated basis.

"Sale of Holdings" means a "Sale of the Company" as defined in the Securityholders Agreement of Holdings, dated as of the date hereof, by and among its members a party thereto.

"Securities Act" means the Securities Act of 1933, as amended from time to time.

"Sponsors" means MDCP, Cornerstone and HEP.

"Stockholder Shares" means (i) any capital stock of the Company purchased or otherwise

acquired by any Stockholder, (ii) any warrants, options or other rights to subscribe for or to acquire, directly or indirectly, any capital stock of the Company, purchased or otherwise acquired by any Stockholder, whether or not then exercisable or convertible, and (iii) any stock or other securities which are convertible into or exchangeable for, directly or indirectly, any capital stock of the Company, purchased or otherwise acquired by any Stockholder, whether or not then convertible or exchangeable, (iv) any securities or rights issued or issuable directly or indirectly with respect to the securities and rights referred to in clauses (i), (ii) and (iii) above by way of stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization. As to any particular Stockholder Shares, such shares shall cease to be Stockholder Shares when they have been disposed of in a Public Sale or repurchased by the Company or any Subsidiary.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, partnership, association or other business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association or other business entity, a majority of the limited liability company, partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity if such Person or Persons shall be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or shall be or control the managing director or general partner of such limited liability company, partnership, association or other business entity.

"Transfer" means any sale, transfer, assignment, pledge or other disposition (whether with or without consideration and whether voluntarily or involuntarily or by operation of law).

Section 7. Miscellaneous.

(a) No Inconsistent Agreements. The Company will not hereafter enter into any agreement with respect to the Company's securities which is inconsistent with or violates the rights granted to the holders of Stockholder Shares in this Agreement.

(b) Additional Stockholders. In connection with the issuance of any

additional equity securities of the Company to any Person, the Company may permit such Person to become a party to this Agreement and succeed to all of the rights and obligations of a "Stockholder" under this Agreement by obtaining the consent of the holders of a majority of the Common Stockholder Shares and an executed counterpart signature page to this Agreement, and, upon such execution, such Person shall for all purposes be a "Stockholder" party to this Agreement.

(c) Amendment and Waiver. Except as otherwise provided herein, no modification, amendment, or waiver of any provision of this Agreement will be effective against the Company

or the holders of Stockholder Shares, unless such modification, amendment, or waiver is approved in writing by the Company and the holders of at least a majority of the Common Stockholder Shares; provided, however, that in the event that such amendment or waiver would materially and adversely affect a holder or group of holders of Stockholder Shares in a manner substantially different than any other holders of Stockholder Shares, then such amendment or waiver will require the consent of such holder of Stockholder Shares or a majority of the Stockholder Shares held by such group of holders materially and adversely affected; provided further, however, that none of Sections 2(b), 2(d), 2(e), 2(g), 3(f) or 4 or this proviso shall be amended in a manner adverse to PPSI without the prior written consent of PPSI. Notwithstanding the foregoing, if an amendment or modification of this Agreement serves merely to add a party hereto, then such amendment or modification will be effective against the Company, and the holders of Stockholder Shares if such amendment or modification is approved in writing by the Company, the holders of at least a majority of the Common Stockholder Shares, and such new party hereto. The failure of any party to enforce any of the provisions of this Agreement will in no way be construed as a waiver of such provisions and will not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms.

(d) Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal, or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality, or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed, and enforced in such jurisdiction as if such invalid, illegal, or unenforceable provision had never been contained herein.

(e) Entire Agreement. Except as otherwise expressly set forth herein, this Agreement, those documents expressly referred to herein, and the other

documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements, or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

(f) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns. In addition, and whether or not any express assignment shall have been made, the provisions of this Agreement which are for the benefit of the holders of Stockholder Shares (or any portion thereof) as such shall be for the benefit of, and enforceable by, any subsequent holder of any Stockholder Shares (or of such portion thereof).

(g) Counterparts. This Agreement may be executed in separate counterparts each of which will be an original and all of which taken together shall constitute one and the same agreement.

(h) Remedies. Any Person having rights under any provision of this Agreement shall be entitled to enforce their rights under this Agreement specifically to recover damages by reason

of any breach of any provision of this Agreement and to exercise all other rights existing in their favor. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any Stockholder may in its sole discretion apply to any court of competent jurisdiction for specific performance and/or injunctive relief (without posting a bond or other security) in order to enforce or prevent any violation of the provisions of this Agreement.

(i) Notices. All notices, demands, and other communications given or delivered under this Agreement shall be in writing and shall be deemed to have been given, (i) when received if given in person, (ii) on the date of electronic confirmation of receipt if sent by telex, facsimile or other wire transmission, (iii) three days after being deposited in the U.S. mail, certified or registered mail, postage prepaid, or (iv) one day after being deposited with a reputable overnight courier. Notices, demands, and communications to the Parties shall, unless another address is specified in writing, be sent to the address or telecopy number indicated below for the initial parties to this Agreement and to any subsequent holder of Stockholder Shares subject to this Agreement at such address as is indicated in the Company's records:

The Company:

Team Health, Inc.
1900 Winston Road, Suite 300
Knoxville, Tennessee 37919
Attention: President
Fax No. (423) 539-8052

Holdings:

Team Health Holdings, L.L.C.
c/o Madison Dearborn Capital
Partners II, L.P.
Three First National Plaza, Suite 3800
Chicago, Illinois 60602
Attention: Timothy Sullivan
Fax No. (312) 895-1001

with a copy to:

Kirkland & Ellis
200 East Randolph
Chicago, Illinois 60601
Attention: Sanford E. Perl, Esq.
Fax No. (312) 861-2200

PPSI:
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c/o MedPartners, Inc.
3000 Galleria Tower, Suite 1000
Birmingham, Alabama 35244
Fax No.. (205) 982-7709
Attention: Legal Services

(j) Governing Law. The corporate law of the State of Tennessee shall govern all issues and questions concerning the relative rights and obligations of the Company and its stockholders. All other issues and questions concerning the construction, validity, enforcement,

and interpretation of this Agreement and the exhibits and schedules hereto shall be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

(k) No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party.

(l) Board Approval. Whenever this Agreement calls for or refers to the consent or approval of any matter by any holder of Stockholder Shares, such

consent or approval shall be deemed given by such holder if each of such holder's designees on the Company's board of directors (the "Board") has, in his capacity as a director of the Company, given his consent or approval with respect to such matter at a duly convened meeting of the Board or pursuant to an effective unanimous written consent of the Board, unless, with respect to any given matter, such holder notifies the Company in writing that the consent or approval at the Board level by such holder's designees on the Board does not constitute the consent or approval by such holder itself.

(m) Business Days. If any time period for giving notice or taking action hereunder expires on a day which is a Saturday, Sunday or legal holiday in the state in which the Company chief-executive office is located, the time period shall automatically be extended to the business day immediately following such Saturday, Sunday or legal holiday.

(n) Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

Section 8. Termination. This Agreement shall continue in effect until the consummation of a Sale of the Company, after which time this Agreement shall terminate automatically and shall have no further force and effect;

provided that the restrictions set forth in Section 2 and Section 3(b) shall terminate earlier upon the consummation of a Public Offering by the Company.

* * * *

IN WITNESS WHEREOF, the Parties have executed this Stockholders Agreement as of the date and year first above written.

TEAM HEALTH, INC.

By: /s/ H. Lynn Massingale

Its: President

TEAM HEALTH HOLDINGS, L.L.C.

By: /s/ Timothy Sullivan

Its: Vice President

PACIFIC PHYSICIAN SERVICES, INC.

By: /s/ James H. Dickerson, Jr.

Its: Vice President

EXHIBIT A

FORM OF TRANSFER NOTICE AND JOINDER AGREEMENT

This notice is being delivered to Team Health, Inc., a Tennessee corporation (the "Company"), pursuant to Section 2(d) of the Stockholders Agreement, dated as of March 12, 1999 (as amended from time to time, the "Stockholders Agreement"), among the Company, Team Health, Holdings, L.L.C., a Delaware limited liability company, Pacific Physicians Services, Inc., a Delaware corporation, and certain other stockholders of the Company who are from time to time party thereto. Capitalized terms used herein and not defined shall have the meanings assigned to such terms in the Stockholders Agreement.

The undersigned, being a Permitted Transferee under the Stockholders Agreement, hereby notifies the Company that [name of Stockholder] has transferred to the undersigned _____ Stockholder Shares (_____ shares of Common Stock and _____ shares of Preferred Stock). In connection with such transfer, the undersigned hereby becomes a party to the Stockholders Agreement and Registration Agreement and agrees to be bound by the provisions of such Stockholders Agreement and Registration Agreement affecting such Stockholder Shares.

Any notice provided for in the Stockholders Agreement or Registration Agreement should be delivered to the undersigned at the address set forth below:

_____
_____
_____
Telephone: _____

Facsimile: _____

Date: _____

_____
[Permitted Transferee]