PROFIT RECOVERY GROUP INTERNATIONAL INC
Form S-3
December 27, 2001

As filed with the Securities and Exchange Commission on December 27, 2001
Registration No. 333-____

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

THE PROFIT RECOVERY GROUP INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

GEORGIA 58-2213805
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

2300 Windy Ridge Parkway
Suite 100 North
Atlanta, Georgia 30339-8426
(770) 779-3900
(Address, including zip code, telephone
number, including area code, of
registrant's principal executive
offices)

CLINTON MCKELLAR, JR., ESQ.
General Counsel
The Profit Recovery Group International, Inc.
2300 Windy Ridge Parkway
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(Name, address, including zip code, and telephone number, including area code,
of agent for service)

COPIES TO:

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Approximate Date of Commencement of Proposed Sale To The Public: From time to time after the effective date of this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. [ ]

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of

1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

Calculation of Registration Fee

Title of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Note(1)	Proposed Maximum Aggregate Offering Price(1)
4 3/4% Convertible Subordinated Notes Due 2006	$125,000,000	100%	$125,000,000
Common Stock, no par value (including the associated preferred share purchase rights)	16,149,875 shares(2)		

(1) Equals the aggregate principal amount of the notes being registered. Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(o) under the Securities Act.

(2) Represents the number of shares of common stock, including the associated preferred share purchase rights, that are currently issuable upon conversion of the notes. Pursuant to Rule 416 under the Securities Act, the registrant is also registering such indeterminate number of shares of common stock, including the associated preferred share purchase rights, as may be issued from time to time upon conversion of the notes as a result of the antidilution provisions relating to the notes. No additional consideration will be received for the common stock or the associated preferred share purchase rights, and therefore no registration fee is required pursuant to Rule 457(i).

(3) A fee of $59,787.03 was paid in connection with the filing of a Registration Statement on Form S-4 (333-69142) on September 7, 2001 by The Profit Recovery Group International, Inc. Accordingly, pursuant to Rule 457(p) under the Securities Act, $12,470.27, the unused portion of such fee, is being credited against the registration fee of the $29,875.00 paid in connection with the filing of this Registration Statement on Form S-3, and $47,316.76 was credited against the filing fee of the registrant's preliminary proxy statement on Schedule 14A filed on November 9, 2001.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF

THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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THE INFORMATION IN THIS PROSPECTUS IS INCOMPLETE AND MAY BE CHANGED. THE SELLING SECURITYHOLDERS MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED DECEMBER 27, 2001

PROSPECTUS

$125,000,000

THE PROFIT RECOVERY GROUP INTERNATIONAL, INC.

4 3/4% CONVERTIBLE SUBORDINATED NOTES DUE 2006 AND SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF THE NOTES

In November and December 2001, we issued and sold $125,000,000 aggregate principal amount of our 4 3/4% Convertible Subordinated Notes due 2006 in a private offering. This prospectus will be used by selling securityholders to resell the notes and the common stock issuable upon conversion of the notes. Interest on the notes is payable in arrears on May 26 and November 26 of each year, beginning on May 26, 2002. The notes mature on November 26, 2006 unless earlier converted or redeemed.

The notes are convertible, at the option of the holder, at any time on or prior to maturity, into shares of common stock of The Profit Recovery Group International, Inc. The notes are convertible at a conversion price of $7.74 per share, which is equal to a conversion rate of 129.1990 shares per $1,000 principal amount of notes, subject to adjustment. Our common stock is traded on The Nasdaq National Market under the symbol "PRGX." On December 26, 2001, the last reported bid price of our common stock on The Nasdaq National Market was $8.49 per share.

We may redeem some or all of the notes at any time after November 26, 2004 at a redemption price of $1,000 per $1,000 principal amount of notes, plus accrued and unpaid interest, if any, to the redemption date, if the closing price of our common stock has exceeded 140% of the conversion price then in effect for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day before the date of mailing of the optional redemption notice.

The notes are our general unsecured indebtedness and are subordinated to all of our existing and future senior indebtedness, and will be effectively subordinated to all of the indebtedness and liabilities of our subsidiaries. The indenture governing the notes does not limit the incurrence by us or our subsidiaries of senior indebtedness or other indebtedness.

We will not receive any proceeds from the sale by the selling securityholders of the notes or the common stock issuable upon conversion of the notes. Other than selling commissions and fees and stock transfer taxes, we will

pay all expenses of the registration of the notes and the common stock and the other expenses specified in the registration rights agreement.

INVESTING IN THE NOTES AND THE COMMON STOCK ISSUABLE UPON CONVERSION OF THE NOTES INVOLVES RISKS THAT ARE DESCRIBED IN THE "RISK FACTORS" SECTION BEGINNING ON PAGE 6 OF THIS PROSPECTUS.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is _____.

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As used in this prospectus, the terms "we," "us" and "our" refer to The Profit Recovery Group International, Inc., a Georgia corporation, and its subsidiaries unless otherwise stated.

SUMMARY

This summary may not contain all of the information that you should consider before investing in our notes.

The Profit Recovery Group International, Inc.

Our Business

We are the leading provider of recovery audit and expense containment services, with revenues from continuing operations for the nine months ended September 30, 2001 of approximately $186.3 million, more than double those of our nearest competitor. Our clients consist primarily of large and mid-size businesses having numerous payment transactions with many vendors. These businesses include, but are not limited to:

- retailers such as discount, department, specialty, grocery and drug stores;
- technology and telecommunications companies;
- manufacturers of pharmaceuticals, consumer electronics, chemicals and aerospace and medical products;
- wholesale distributors of computer components, food products and pharmaceuticals; and
- healthcare providers such as hospitals and health maintenance organizations.

We currently service approximately 2,500 clients in 34 different countries. As of September 30, 2001, we had approximately 1,700 audit specialists worldwide. Our continuing operations have one operating segment, consisting of Accounts Payable Services, that offers different types of recovery and cost containment services.

The Recovery Audit Industry

Businesses that make substantial volumes of payments involving multiple vendors, numerous discounts and allowances, fluctuating prices and complex tax and pricing arrangements find it difficult to detect all overpayments. Although these businesses process the vast majority of payment transactions correctly, a small number of overpayments do occur, resulting from vendor pricing errors, missed or inaccurate discounts, allowances and rebates, incorrect freight charges or duplicate payments. In the aggregate, these transaction errors can represent meaningful lost profits that can be particularly significant for businesses with relatively narrow profit margins.

Although some businesses routinely maintain internal recovery audit departments assigned to recover selected types of payment errors and identify opportunities to reduce costs, independent recovery audit firms are often retained as well due to their specialized knowledge and focused technologies. In the U.S., Canada and Mexico, large retailers routinely engage independent recovery audit firms as standard business practice, and nonretail enterprises are increasingly using independent recovery audit firms. We believe that large retailers and many nonretailers outside North America are also increasingly engaging independent recovery audit firms.

Many businesses worldwide exchange purchasing, shipping and payment data electronically. These paperless transactions are widely referred to as Electronic Data Interchange, or EDI, and implementation of this technology is maturing. EDI streamlines processing large numbers of transactions, but does not eliminate payment errors because operator input errors may be replicated automatically in thousands of transactions. We believe that current global business-to-business e-commerce initiatives involving the Internet may ultimately provide technologically advanced recovery audit firms with greater recovery opportunities than employing EDI solely as a data communications medium.

We also believe that many businesses are increasingly outsourcing internal recovery functions to independent recovery audit firms.

The domestic and international recovery audit industry is characterized by a small number of firms with a national and international presence, including Howard Schultz & Associates International, Inc. and us. In addition, there are many local and regional firms. Many of the smaller firms lack the centralized resources or broad client base to support technology investments required to provide comprehensive recovery audit services for large, complex accounts payable systems. These firms are less equipped to audit large EDI accounts payable systems. In addition, because of limited resources, most of these firms subcontract work to third parties and may lack experience and the knowledge of national promotions, seasonal allowances and current recovery audit practices. As a result, we believe significant opportunities exist for recovery audit firms with a national and international presence, well-trained and experienced professionals, and the advanced technology required to audit increasingly complex accounts payable systems.

The Proposed Acquisitions of Howard Schultz & Associates International, Inc. and Affiliates

On August 3, 2001, we entered into definitive agreements to acquire Howard Schultz & Associates International, Inc., or HSA-Texas, and certain of its affiliates for aggregate consideration of up to 15,353,846 shares of our common stock and options to purchase up to an additional 1,678,826 shares of our common stock. These agreements were amended and restated on December 11, 2001. HSA-Texas, its subsidiaries and licensees are industry pioneers in providing recovery audit services. HSA-Texas provides recovery audit services to large and mid-size businesses having numerous payment transactions with many vendors.

HSA-Texas is currently our principal competitor, with operations throughout the U.S. and internationally. HSA-Texas had revenues of $138.7 million for the year ended December 31, 2000 and $100.8 million for the nine month period ended September 30, 2001.

Recent Developments

Convertible Notes Offerings

On November 26, 2001, we closed on a $95.0 million offering of our 4 3/4% convertible subordinated notes due 2006. We issued an additional $15.0 million of the notes on December 3, 2001, and on December 4, 2001, the initial purchasers of the notes issued on November 26, 2001 purchased an additional $15.0 million of the notes to cover over allotments, bringing to $125.0 million the aggregate amount issued. We received net proceeds from the offering of approximately $121.4 million. The proceeds from the sale of the notes were used to pay down our outstanding balance under our senior credit facility.

The notes are convertible into our common stock at a conversion price of $7.74 per share, which is equal to a conversion rate of 129.1990 shares per

$1,000 principal amount of notes, subject to adjustment. We may redeem some or all of the notes at any time on or after November 26, 2004 at a redemption price of $1,000 per $1,000 principal amount of notes, plus accrued and unpaid interest, if prior to the redemption date, the closing price of our common stock has exceeded 140% of the then conversion price for at least 20 trading days within a period of 30 consecutive days ending on the trading date before the date of mailing of the optional redemption notice.

Discontinued Operations

In March 2001, we formalized a strategic realignment initiative designed to enhance our financial position and clarify our investment and operating strategy by focusing on our core Accounts Payable Services business. Under this strategic realignment initiative, we decided to divest the following non-core businesses: Meridian, a part of the Taxation Services segment, the Logistics Management Services segment, the Communications Services segment and the Ship & Debit division within the Accounts Payable Services segment. As a result, since the first quarter of 2001, these businesses have been classified as discontinued operations.

Owing to the separate and distinct nature of each business to be divested, we and our advisors determined that we would be unlikely to sell all of these businesses as a whole to one buyer. As a result, during the last several months, we have been engaged in independent divestiture processes for each of these businesses. On October 30, 2001, we consummated the sale of our Logistics Management Services segment for approximately $13.0 million. We received initial gross proceeds from the sale of approximately $10.0 million, and we may receive up to an additional $3.0 million payable in the form of a revenue-based royalty over the next four years. The other discontinued operations currently remain for sale. However, if current difficult market conditions continue such that there is further erosion in the expected net proceeds, we, in consultation with our advisors, may in the future conclude that the sale of the remaining discontinued operations is no longer advisable and may revisit the decision to sell some or all of these businesses.

On December 14, 2001, we consummated the sale of our French Taxation Services business for approximately $48.3 million. The sale of the French Taxation Services business will result in a net loss on the transaction of approximately $54.0 million in the fourth quarter of 2001. As a result of the foregoing, the French Taxation Services business has been classified as discontinued operations in our historical financial statements. See "Risk Factors - As a result of the sale of our French Taxation Services operations, we will recognize a substantial and material net loss in the fourth quarter of 2001."

Amendment to Our Senior Credit Facility

On November 9, 2001, we entered into an amendment to our senior credit facility, effective September 30, 2001. The amendment waived certain financial ratio covenant defaults as of September 30, 2001. Pursuant to the amendment, several current and prospective financial ratio covenants were re-established

and relaxed. The amendment also prospectively increased interest rates and effectively limited our borrowing capacity to approximately $50.0 million, after application of the net proceeds of the convertible notes offering. It also provides for additional mandatory reductions of the balance under the senior credit facility equal to the net cash proceeds from future sales of the discontinued operations and any future issuance of debt or equity securities.

All principal balances outstanding under the senior credit facility were repaid in full from proceeds from the notes offering and the sale of discontinued operations. As of December 17, 2001, there were no outstanding amounts under our senior credit facility.

Lender Approvals

We have held extensive discussions with the nine members of our banking syndicate concerning the proposed acquisitions. The credit facility, as amended, provides that a two-thirds majority of the banks in the syndicate must approve the proposed acquisitions. As a result of these discussions with the members of our current banking syndicate, we believe that we will be unable to obtain the consent of at least two-thirds of the members of the syndicate required in order to complete the proposed acquisitions. We are therefore negotiating a new senior credit facility, the proceeds of which we will utilize to repay certain indebtedness of HSA-Texas and fund various merger and integration costs related to the proposed acquisitions. We expect to obtain a new senior credit facility with a borrowing capacity of up to $75.0 million, with tiered interest based on either prime or LIBOR and a term of at least three years, secured by all of our assets. Aggregate outstanding borrowings may be limited to a percentage of eligible receivables. We will not complete the proposed acquisitions unless a senior credit facility with terms substantially equivalent to those described above, with immediate borrowing availability of at least $30.0 million and with interest rates substantially equivalent to or more favorable to us than those of our current senior credit facility is in place as of or prior to the closing of the proposed acquisitions.

Our executive offices are located at 2300 Windy Ridge Parkway, Suite 100 North, Atlanta, Georgia 30339-8426, and our telephone number is (770) 779-3900. Our Web site address is www.prgx.com. Information contained on our Web site is not incorporated by reference in this prospectus and should not be considered part of this prospectus.

The Offering

The following is a brief summary of the terms of this offering. For a more complete description see "Description of the Notes" below.

Issuer.....	The Profit Recovery Group International, Inc.
Notes offered.....	$125,000,000 aggregate principal amount of 4 3/4% conv notes due 2006.
Notes offered by	Selling securityholders named herein. See "Selling Sec
Maturity.....	November 26, 2006.
Interest.....	4 3/4% per year on the principal amount, payable se and November 26, beginning on May 26, 2002.
Conversion rights.....	The notes are convertible, at the option of the holde prior to maturity into shares of our common stock at

	of $7.74 per share, which is equal to a conversio shares per $1,000 principal amount of notes. The subject to adjustment. See "Description of the Notes--
Ranking.....	The notes are unsecured and subordinated to all o future senior indebtedness and effectively su indebtedness and other liabilities of our subsidiari 2001, we had no senior indebtedness outstanding. Ho assume from $59.7 million to $69.5 million of HS connection with the proposed acquisitions, a major senior indebtedness. Because the notes are subordinat bankruptcy, liquidation, dissolution or acceleratio senior indebtedness, holders of the notes will not until holders of the senior indebtedness have bee indenture does not prohibit us or our subsidiar additional senior indebtedness or other obligations. We are structured as a holding company and we conduct operations through our subsidiaries. The note subordinated to all existing and future indebtedness a of our subsidiaries.
Optional redemption.....	We may redeem the notes, in whole or in part, at November 26, 2004 at a redemption price equal to principal amount of notes to be redeemed, plus any i to the date of redemption and remaining unpaid, if our common stock has exceeded 140% of the conversion for at least 20 trading days within a period of 30 days ending on the trading day before the date of mail redemption notice. See "Description of the Notes--Opt PRG."

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Change in control.....	Upon a change in control, each holder of the notes repurchase some or all of its notes at a purchase pr the principal amount of the notes plus accrued and u may, at our option, instead of paying the change price in cash, pay it in shares of our common stock average of the closing sales prices of our common trading days immediately preceding and including t prior to the date we are required to repurchase the n the change in control purchase price in common stoc the conditions described in the indenture under issued. See "Description of the Notes--Repurchase Upon a Change in Control."
Registration rights.....	We have filed with the SEC the registration statem prospectus is a part pursuant to a registration right initial purchasers of certain of the notes. We have registration statement effective until two years afte which we issued the notes (or such earlier date when notes and the common stock issuable upon conversion o to sell their securities immediately pursuant to Ru Securities Act of 1933). If we do not comply with obligations, we will be required to pay liquidated da of the notes or the common stock issuable upon "Description of the Notes--Registration Rights."
Use of proceeds.....	We will not receive any of the proceeds from the sale

	common stock issuable upon conversion of the not prospectus.
Trading.....	The notes sold to qualified institutional buyers are in the PORTAL market; however, the notes resold prospectus will no longer trade on the PORTAL marke to list the notes on any national securities exch National Market. Our common stock is quoted on The Na under the symbol "PRGX."
Risk factors.....	There are risks associated with this investment. Yo factors discussed in "Risk Factors" and elsewhere in consider them carefully before deciding to invest common stock issuable upon conversion of the notes.

RISK FACTORS

An investment in the securities offered by this prospectus involves a high degree of risk. You should carefully consider the following factors and other information in this prospectus before deciding to purchase the notes or our common stock. These risks and uncertainties are not the only ones we face. Others that we do not know about now, or that we do not now think are important, may impair our business or the trading price of our notes or our common stock.

Risks Related to Our Business

We depend on our largest clients for significant revenues, and if we lose a major client, our revenues could be adversely affected.

We generate a significant portion of our revenues from our largest clients. For the nine month period ended September 30, 2001, our two largest clients accounted for approximately 17.9% of our revenues from continuing operations. For the year ended December 31, 2000, our two largest clients accounted for approximately 16.0% of our revenues from continuing operations. If we lose any major clients, our results of operations could be materially and adversely affected by the loss of revenue, and we would have to seek to replace the client with new business.

Client and vendor bankruptcies and financial difficulties could reduce our earnings.

Our clients generally operate in intensely competitive environments and bankruptcy filings are not uncommon. Additionally, the recent terrorist attacks and adverse economic conditions in the United States may increase the financial difficulties experienced by our clients. Future bankruptcy filings by one or more of our larger clients or significant vendor chargebacks by one or more of our larger clients could have a material adverse effect on our financial condition and results of operations. Likewise, our failure to collect our accounts receivables due to the financial difficulties of our clients would adversely affect our financial condition and results of operations.

If we are not successful in integrating the business of HSA-Texas and its affiliated companies, our operations may be adversely affected.

To realize the anticipated benefits of the proposed acquisitions, we must

efficiently integrate the operations of the acquired companies with ours. Combining the personnel, technologies and other aspects of operations, while managing a larger entity, will present a significant challenge to our management. We cannot be certain that the integration will be successful or that we will fully realize the anticipated benefits of the business combination.

The challenges involved in this integration include:

- retaining and integrating management and other key personnel of each company;
- combining the corporate cultures of us and HSA-Texas;
- combining service offerings effectively and quickly;
- transitioning HSA-Texas' auditors to our information management and compensation systems;
- integrating sales and marketing efforts so that customers can understand and do business easily with the combined company;
- transitioning all worldwide facilities to common accounting and information technology systems; and
- coordinating a large number of employees in widely dispersed operations in the United States and several foreign countries.

Risks from unsuccessful integration of the companies include:

- the impairment of relationships with employees, clients and suppliers;
- the potential disruption of the combined company's ongoing business and distraction of its management;

- delay in introducing new service offerings by the combined company; and
- unanticipated expenses related to integration of the companies.

We may not succeed in addressing these risks. Further, we cannot assure you that the growth rate of the combined company will equal or exceed the historical growth rates experienced by us, HSA-Texas or any of its affiliates individually. Our ability to realize the anticipated benefits of the proposed acquisitions will depend on our ability to integrate HSA-Texas' operations into our current operations in a timely and efficient manner.

This integration may be difficult and unpredictable because our compensation arrangements, service offerings and processes are highly complex and have been developed independently from those of HSA-Texas. Successful integration requires coordination of different management personnel and auditors, as well as sales and marketing efforts and personnel. If we cannot successfully integrate the HSA-Texas assets with our operations, we may not realize the expected benefits of the proposed acquisitions.

If we are not successful in integrating the business operations of HSA-Texas in the United Kingdom, our financial results may be adversely affected.

HSA-Texas' operations in the United Kingdom generated revenues of approximately $24.4 million and operating income of approximately $1.8 million for its fiscal year ended April 30, 2001. Our ability to realize the anticipated

benefits of the proposed acquisitions will depend in part on our ability to integrate HSA-Texas' United Kingdom operations into our current United Kingdom operations in a timely and efficient manner. If we cannot successfully integrate such operations with our operations, we may not realize the expected benefits of the proposed acquisitions and our financial results may be adversely affected.

The acquisitions by us of businesses outside of our core business of accounts payable auditing have been, in general, financially and operationally unsuccessful.

Our acquisitions of businesses outside of our core business of accounts payable auditing have been, in general, financially and operationally unsuccessful. As a result, on January 31, 2001, we announced that our board of directors had approved the sale of its Meridian VAT Reclaim business, the Communications Services segment, the Logistics Management Services segment, and the Ship and Debit division within the Accounts Payable Service segment. The sale of the Logistics Management Services segment was consummated on October 30, 2001. In addition, on December 14, 2001, we consummated the sale of our French Taxation Services business for approximately $48.3 million. We will recognize a loss on the sale of approximately $54.0 million in the fourth quarter of 2001. While we believe that the acquisition of HSA-Texas and its affiliates is within our core business, there can be no assurance that we will be more successful in achieving financial and operational success with the proposed acquisitions that we were in previous non-core business acquisitions.

We may be unable to complete the proposed acquisitions, which could have a material adverse effect on our stock price.

Our shareholders must approve the issuance of our common stock in the proposed acquisitions. There is no guaranty that this shareholder approval will be obtained, and if such approval is not obtained, we will be unable to complete the proposed acquisitions. To the extent that the current trading price of our common stock reflects a market assumption that the proposed acquisitions will be completed, failure to complete the proposed acquisitions could have a material adverse effect on the trading price of our common stock. In addition, in order for us to have sufficient liquidity to complete the proposed acquisitions and the necessary integration of the HSA-Texas business, we must obtain a replacement senior credit facility for our current senior facility with immediate borrowing availability of at least $30.0 million. If we are unable to accomplish this, we will be unable to complete the proposed acquisitions.

If we cannot obtain a replacement senior credit facility, we will be unable to complete the proposed acquisitions.

Based on discussions with our current lenders, we have determined that we cannot obtain the consent required under our senior credit facility to complete the proposed acquisitions. As a result, in order for us to have sufficient liquidity to complete the proposed acquisitions and the necessary integration of the HSA-Texas business, we must obtain a replacement senior credit facility for the current senior facility with immediate borrowing availability of at least $30.0 million. If we are unable to obtain a replacement senior credit facility, we will be unable to complete the proposed acquisitions.

If the asset agreement for the proposed acquisitions is terminated, we will incur significant costs.

If the asset agreement is terminated after we mail the proxy statement to our shareholders because:

- We are unable to obtain the approval of our shareholders;

- We materially breach our representations and warranties or fail to perform our covenants under the asset agreement and any such breach or failure is not cured by the earlier of 10 days from notice thereof or March 31, 2002; or

- We have not held a special meeting of our shareholders by March 31, 2002;

then we will be obligated to reimburse HSA-Texas for all reasonable fees and expenses, including reasonable attorneys' fees, accountants' fees, financial advisory fees, broker fees and filing fees, that have been paid by or on behalf of HSA-Texas in connection with the preparation and negotiation of the proposed acquisitions and related transactions.

If the asset agreement is terminated after we mail the proxy statement to our shareholders because:

- Our board of directors or any committee thereof approves or recommends to our shareholders any alternative acquisition proposal which does not include the concurrent acquisition of HSA-Texas and the four affiliated foreign operating companies or their assets by the third party as if HSA-Texas and the four affiliated foreign operating companies were a part of us at the completion of such alternative acquisition proposal; or

- our board of directors or any committee thereof shall for any reason have withdrawn, or shall have amended or modified in a manner adverse to HSA-Texas, the board's recommendations of the proposed acquisitions; or

- a tender or exchange offer to acquire 50% or more of the outstanding shares of our common stock shall have been commenced by a third party, and we shall not within 10 business days after such tender or exchange offer is first published or given to our shareholders, issued a statement recommending rejection of such tender or exchange offer.

then we will be obligated to pay HSA-Texas $2.0 million plus all transaction expenses incurred by HSA-Texas and its shareholders, including all reasonable out of pocket legal and accounting fees, all broker and financial advisor fees, all HSR fees, and all SEC fees.

In addition, if the proposed acquisitions are not completed for any reason, we will incur a substantial and immediate charge to earnings, estimated to be within a range of $9.0 million to $11.0 million, for all cumulative out of pocket business combination costs related to the proposed acquisitions.

Transaction costs of the proposed acquisitions could adversely affect combined financial results.

We and HSA-Texas are expected to incur direct transaction costs of up to approximately $15.0 million in connection with the proposed acquisitions. If the benefits of the proposed acquisitions do not exceed the costs associated with the proposed acquisitions, the combined company's financial results, including earnings per share, could be adversely affected.

The proposed acquisitions are anticipated to result in lower combined revenues from clients with respect to which we and HSA-Texas together have had the first and second audit positions.

Some of our clients require that two independent audit companies perform

recovery audits of their payment transactions in a first recovery audit followed by a second recovery audit. In situations where both we and HSA-Texas now perform both the first and second recovery audit services, it is possible that the client will, upon our acquisition of HSA-Texas, retain another company for the first or second audit position in place of them. We estimate that there are 38 clients with respect to which we and HSA-Texas together have had the first and second recovery audit positions. These clients represented approximately 32% of our total revenues for the year ended December 31, 2000 and 50% of the total revenues of HSA-Texas for that year. After the combination, a substantial number of these clients may request that the combined company perform the first or second audits at reduced rates, or they may award the first or second recovery audit position to another party, rather than allowing the combined company to keep both positions. In either case, the combined revenues from these clients may be materially lower.

If we fail to hire and retain critical HSA-Texas personnel, it could diminish the benefits of the proposed acquisitions to us.

The successful integration of the HSA-Texas business into our current business operations will depend in large part on our ability to hire and retain personnel critical to the business and operations of HSA-Texas. We may be unable to retain management personnel and auditors that are critical to the successful operation of the HSA-Texas business, resulting in loss of key information, expertise or know-how and unanticipated additional recruiting and training costs and otherwise diminishing anticipated benefits of the proposed acquisitions for

us and our shareholders. In addition, if we cannot successfully implement a revised compensation plan that reduces the compensation level of a large number of HSA-Texas' auditors, the anticipated benefits of the proposed acquisitions will be diminished. Even if we are successful in implementing the revised compensation plan, some HSA-Texas auditors may elect not to work for us if their compensation is reduced.

Completion of the proposed acquisitions will result in substantial dilution to shareholdings of our current shareholders.

As of December 11, 2001, we had outstanding 43,784,120 shares of our common stock. If the proposed acquisitions are completed and we issue the maximum aggregate consideration of 15,353,846 shares of our common stock, immediately following the completion of the acquisitions, the ownership interest of our shareholders will be reduced to approximately 76.6% . The notes being issued in this offering will be convertible at the option of the holders into shares of our common stock. The conversion price will not be adjusted for the issuance of shares in connection with the proposed acquisitions.

Completion of the proposed acquisitions could result in material dilution to our earnings per share.

The unaudited pro forma combined financial statements, contained in our proxy statement for the special shareholder meeting to vote on the proposed acquisitions, which give effect to the proposed acquisitions as if they had closed on January 1, 2000, show a reduction of $0.06 per share in our pro forma combined diluted earnings per share from continuing operations for the year ended December 31, 2000 as compared to our historical audited results for the same period. Our earnings from continuing operations for the year ended December 31, 2000 were approximately $5.6 million as compared to pro forma combined earnings from continuing operations of approximately $3.5 million for the same period. It is possible that our future earnings per share will be materially

diluted as a result of the proposed acquisitions. If the proposed acquisitions have a material negative impact on our earnings per share, the trading price of our common stock may be materially adversely affected.

If we do not complete our remaining planned divestitures of discontinued operations as anticipated, our earnings and financial position could be adversely affected.

We have announced plans to divest our Meridian VAT Reclaim business, our Communications Services segment, our Logistics Management Services segment, our Ship & Debit division within the Accounts Payable Services segment and our French Taxation Services segment. To date, we have completed the sale of the Logistics Management Services segment and the French Taxation Services segment. Although we are continuing to seek to complete the divestitures of the other three businesses, it is possible that we will not be able to complete them on a timely basis, if at all, or at the prices we anticipate.

In connection with these planned divestitures, we reclassified these businesses as discontinued operations. In the third quarter of 2001, we recognized a charge to our earnings of $31.0 million to reflect the loss we expect to incur upon the disposition of all of these discontinued operations, except the French Taxation Services segment. Of this amount, $19.0 million related to the loss on the sale of the Logistics Management Services segment. We will recognize an additional loss of approximately $54.0 million in the fourth quarter of 2001 as a result of the sale of the French Taxation Services segment. If we are unable to complete the sales of the other three businesses at the prices we anticipate, we would have to recognize additional charges to our earnings. Additionally, if we decide not to divest one or more of the three businesses, we would have to reclassify those businesses to include them in our continuing operations. The inclusion of the discontinued operations in our continuing business could affect our financial results on a historical basis, as a result of a reclassification, and could also adversely impact our future results of operations.

If we are unable to divest these businesses, if the timing of the divestitures exceeds that anticipated, or if the proceeds received in the divestitures are lower than expected, we may not achieve the anticipated benefits. For example, we may incur additional losses upon completion of the divestitures, we may not realize the cost savings anticipated as a result of the divestitures and management's time and attention may be diverted to a greater degree than expected. The announced intention to dispose of these businesses may result in a diminished value of the assets to be divested through, for example, the loss of customers or key personnel employed by these businesses, and therefore, we may not be able to obtain the prices we anticipate for these businesses.

As a result of the sale of our French Taxation Services operations, we will recognize a substantial and material net loss in the fourth quarter of 2001.

On December 14, 2001, we consummated the sale of our French Taxation Services business for approximately $48.3 million. The sale of the French Taxation Services business will result in a net loss on the transaction of approximately $54.0 million in the fourth quarter of 2001.

We have violated our debt covenants in the past and may do so in the future.

As of September 30, 2001, we were not in compliance with certain financial ratio covenants in our senior credit facility. Those covenant violations were waived by the lenders in an amendment to the senior credit facility dated November 9, 2001. This amendment also relaxed certain financial ratio covenants for the fourth quarter of 2001 and each of the quarters of 2002. No assurance can be provided that we will not violate these covenants or the covenants of any

replacement financing in the future. If we are unable to comply with our financial covenants in the future, our lenders could pursue their contractual remedies under the credit facility, including requiring the immediate repayment in full of all amounts outstanding, if any. Additionally, we cannot be certain that if the lenders demanded immediate repayment of any amounts outstanding that we would be able to secure adequate or timely replacement financing on acceptable terms or at all.

We rely on international operations for significant revenues.

In 2000, approximately 23.9% of our revenues from continuing operations and 7.8% of the aggregate revenues of HSA-Texas and its affiliates to be acquired by us were generated from international operations. International operations are subject to risks, including:

- political and economic instability in the international market we serve;
- difficulties in staffing and managing foreign operations and in collecting accounts receivable;
- fluctuations in currency exchange rates, particularly weaknesses in the Euro, the British Pound and other currencies of countries in which we transact business, which could result in currency translations that materially reduce our revenues and earnings;
- costs associated with adapting our services to our foreign clients' needs;
- unexpected changes in regulatory requirements and laws;
- difficulties in transferring earnings from our foreign subsidiaries to us; and
- burdens of complying with a wide variety of foreign laws and labor practices, including laws that could subject certain tax recovery audit practices to regulation as the unauthorized practice of law.

Because we expect a significant portion of our revenues to continue to come from international operations, the occurrence of any of the above events could materially and adversely affect our business, financial condition and results of operations.

We require significant management and financial resources to operate and expand our recovery audit services internationally.

In our experience, entry into new international markets requires considerable management time as well as start-up expenses for market development, hiring and establishing office facilities. In addition, we have encountered, and expect to continue to encounter, significant expense and delays in expanding our international operations because of language and cultural differences, staffing, communications and related issues. We generally incur the costs associated with international expansion before any significant revenues are generated. As a result, initial operations in a new market typically operate at low margins or may be unprofitable. Because our international expansion strategy will require substantial financial resources, we may incur additional indebtedness or issue additional equity securities which could be dilutive to

our shareholders. In addition, financing for international expansion may not be available to us on acceptable terms and conditions.

Recovery audit services are not widely used in international markets.

Our long-term growth objectives are based in material part on achieving significant future growth in international markets. Although our recovery audit services constitute a generally accepted business practice among retailers in the U.S., Canada, and Mexico, these services have not yet become widely used in many international markets. Prospective clients, vendors or other involved parties in foreign markets may not accept our services. The failure of these parties to accept and use our services could have a material adverse effect on our future growth.

The level of our annual profitability is significantly affected by our third and fourth quarter operating results.

The purchasing and operational cycles of our clients typically cause us to realize higher revenues and operating income in the last two quarters of our fiscal year. If we do not continue to realize increased revenues in future third and fourth quarter periods, due to adverse economic conditions in those quarters or otherwise, our profitability for any affected quarter and the entire year could be materially and adversely affected because ongoing selling, general and administrative expenses are largely fixed. Recent national adverse economic developments, that have been compounded by the events of September 11, 2001, have increased the uncertainty associated with fourth quarter revenues in 2001.

We may be unable to protect and maintain the competitive advantage of our proprietary technology and intellectual property rights.

Our operations could be materially and adversely affected if we are not able to adequately protect our proprietary software, audit techniques and methodologies, and other proprietary intellectual property rights. We rely on a combination of trade secret laws, nondisclosure and other contractual arrangements and technical measures to protect our proprietary rights. Although we presently hold U.S. and foreign registered trademarks and U.S. registered copyrights on certain of our proprietary technology, we may be unable to obtain similar protection on our other intellectual property. In addition, our foreign registered trademarks may not receive the same enforcement protection as our U.S. registered trademarks. We generally enter into confidentiality agreements with our employees, consultants, clients and potential clients. We also limit access to, and distribution of, our proprietary information. Nevertheless, we may be unable to deter misappropriation of our proprietary information, detect unauthorized use and take appropriate steps to enforce our intellectual property rights. Our competitors also may independently develop technologies that are substantially equivalent or superior to our technology. Although we believe that our services and products do not infringe on the intellectual property rights of others, we can not prevent someone else from asserting a claim against us in the future for violating their technology rights.

Our failure to retain the services of John M. Cook, or other key members of management, could adversely impact our continued success.

Our continued success depends largely on the efforts and skills of our executive officers and key employees, particularly John M. Cook, our Chairman and Chief Executive Officer. The loss of the services of Mr. Cook or other key members of management could materially and adversely affect our business. We have entered into employment agreements with Mr. Cook and other members of management. We also maintain key man life insurance policies in the aggregate

amount of $13.3 million on the life of Mr. Cook. While these employment agreements limit the ability of Mr. Cook and other key employees to directly compete with us in the future, nothing prevents them from leaving our company.

We may not be able to continue to compete successfully with other businesses offering recovery audit services.

The recovery audit business is highly competitive. Our principal competitors for accounts payable recovery audit services include many local and regional firms and Howard Schultz & Associates International, Inc. If the proposed acquisitions are not consummated, we will continue to compete with that organization. Also, we believe that the major international accounting firms or their former consulting units that have been spun off or divested may become formidable competitors in the future. We are uncertain whether we can continue to compete successfully with our competitors. In addition, our profit margins could decline because of competitive pricing pressures that may have a material adverse effect on our business, financial condition and results of operations.

Our further expansion into electronic commerce auditing strategies and processes may not be profitable.

We anticipate a growing need for recovery auditing services among current clients migrating to internet-based procurement, as well as potential clients already engaged in electronic commerce transactions. In response to this anticipated future demand for our recovery auditing expertise, we have made and may continue to make significant capital and other expenditures to further expand into internet technology areas. We can give no assurance that these investments will be profitable or that we have correctly anticipated demand for these services.

An adverse judgment in the securities action litigation in which we and John M. Cook are defendants could have a material adverse effect on our results of operations and liquidity.

We and John M. Cook, our Chairman and Chief Executive Officer, are defendants in three putative class action lawsuits filed on June 6, 2000 in the United States District Court for the Northern District of Georgia, Atlanta Division, which have since been consolidated into one proceeding (the "Securities Class Action Litigation"). A judgment against us in this case could have a material adverse effect on our results of operations and liquidity, while a judgment against Mr. Cook could adversely affect his financial condition and therefore have a negative impact upon his performance as our chief executive officer. Plaintiffs in the Securities Class Action Litigation have alleged in general terms that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by allegedly disseminating materially false and misleading information about a change in our method of recognizing revenue and in connection with revenue reported for a division. The plaintiffs further allege that these misstatements and omissions led to an artificially inflated price for our common stock during the putative class period which runs from July 19, 1999 to July 26, 2000. This case seeks an unspecified amount of compensatory damages, payment of litigation fees and expenses, and equitable and/or injunctive relief. Although we believe the alleged claims in this lawsuit are without merit and intend to defend the lawsuit vigorously, due to the inherent uncertainties of the litigation process and the judicial system, we are unable to predict the outcome of this litigation.

Our articles of incorporation, bylaws, and shareholders' rights plan and Georgia law may inhibit a change in control that you may favor.

Our articles of incorporation and bylaws and Georgia law contain provisions that may delay, deter or inhibit a future acquisition of us not approved by our board of directors. This could occur even if our shareholders are offered an attractive value for their shares or if a substantial number or even a majority of our shareholders believe the takeover is in their best interest. These provisions are intended to encourage any person interested in acquiring us to negotiate with and obtain the approval of our board of directors in connection with the transaction. Provisions that could delay, deter or inhibit a future acquisition include the following:

- a staggered board of directors;
- specified requirements for calling special meetings of shareholders; and
- the ability of the board of directors to consider the interests of various constituencies, including our employees, clients and creditors and the local community.

Our articles of incorporation also permit the board of directors to issue shares of preferred stock with such designations, powers, preferences and rights as it determines, without any further vote or action by our shareholders. In addition, we have in place a "poison pill" shareholders' rights plan that will trigger a dilutive issuance of common stock upon substantial purchases of our common stock by a third party which are not approved by the board of directors. Also, the shareholders' rights plan requires approval by a majority of the continuing directors, as defined in the plan, to redeem the rights plan, amend the rights plan, or exclude a person or group who acquires beneficial ownership or more than 15 percent of our outstanding common stock from being considered an acquiring person under the rights plan. These provisions also could discourage bids for our shares of common stock at a premium and have a material adverse effect on the market price of our shares.

Our stock price has been and may continue to be volatile.

Our common stock is traded on The Nasdaq National Market. The trading price of our common stock has been and may continue to be subject to large fluctuations. Our stock price may increase or decrease in response to a number of events and factors, including:

- future announcements concerning us, key clients or competitors;
- quarterly variations in operating results;
- changes in financial estimates and recommendations by securities analysts;
- developments with respect to technology or litigation;
- the operating and stock price performance of other companies that investors may deem comparable to our company;
- acquisitions and financings; and
- sales of blocks of stock by insiders.

Stock price volatility is also attributable to the current state of the stock market, in which wide price swings are common. This volatility may adversely affect the price of our common stock, regardless of our operating performance.

Risks Related to the Notes

The notes are subordinated to any existing and future senior indebtedness.

The notes are subordinated in right of payment to our existing and future senior indebtedness, as defined, including our senior credit facility and any replacement of it. Although, as of December 17, 2001, we had no senior indebtedness, we expect to assume from $59.7 million to $69.5 million of HSA-Texas net debt in connection with the proposed acquisitions, a majority of which will be senior indebtedness. The indenture does not limit our ability to incur additional senior indebtedness (or any other indebtedness). In addition, we intend to obtain a replacement credit facility with a borrowing capacity of up to $75.0 million, secured by all of our assets, all amounts outstanding under which will be senior indebtedness. Any significant additional senior indebtedness incurred may harm our ability to service our debt, including the notes. Because of the subordination provisions, in the event of bankruptcy, insolvency, liquidation or dissolution, funds which we would otherwise use to pay the holders of the notes will be used to pay the holders of our senior indebtedness to the extent necessary to pay the senior indebtedness in full. As a result of these payments, our general creditors may recover less, ratably, than the holders of our senior indebtedness and such general creditors may recover more, ratably, than the holders of our notes or our other subordinated indebtedness. In addition, the holders of our senior indebtedness may restrict or prohibit us from making payments on the notes.

Our holding company structure results in substantial structural subordination and may affect our ability to make payments on the notes.

We are a holding company and we conduct all of our operations through our subsidiaries. As a result, our ability to meet our debt service obligations, including our obligations under the notes, substantially depends upon our subsidiaries' cash flow and payment of funds to us by our subsidiaries as dividends, loans, advances or other payments. Our subsidiaries' payment of dividends or making of loans, advances or other payments may be subject to contractual restrictions or other limitations.

The notes are also effectively subordinated to all existing and future indebtedness and other liabilities of our subsidiaries. At September 30, 2001, our subsidiaries had aggregate liabilities of approximately $52.0 million. Although substantially all of these liabilities were paid and satisfied in December 2001, we expect that subsidiaries will continue to incur additional indebtedness from time to time. Any right we may have to receive assets of our subsidiaries upon their liquidation or reorganization, and your resulting rights to participate in those assets, would be effectively subordinated to the claims of our subsidiaries' creditors.

Our ability to repurchase notes, if required, may be limited.

In certain circumstances, including a change in control, the holders of the notes may require us to repurchase some or all of the notes. We cannot assure you that we will have sufficient financial resources at such time or would be able to arrange financing to pay the repurchase price of the notes. Our ability to repurchase the notes in such event may be limited by law, the indenture, or the terms of other agreements relating to our senior indebtedness. For example, under the terms of our senior credit facility, the lenders under that facility are required to consent to any payment of principal under the notes. We may be required to refinance our senior indebtedness in order to make such payments, and we can give no assurance that we would be able to obtain such financing on

acceptable terms or at all.

The notes are not protected by restrictive covenants.

The indenture governing the notes does not contain any financial or operating covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us or any of our subsidiaries. The indenture contains no covenants or other provisions to afford protection to holders of the notes in the event of a change in control involving PRG, except to the extent described under "Description of the Notes."

The market for the notes may be limited.

The notes are a new issue of securities for which there is currently no trading market, except for limited trading on the PORTAL market. Although the notes that were sold to qualified institutional buyers pursuant to Rule 144A are eligible for trading in the PORTAL market, the notes resold pursuant to this prospectus will no longer trade on the PORTAL market. As a result, there may be a limited market for the notes. We do not intend to list the notes on any national securities exchange or on the Nasdaq National Market. Accordingly, we cannot predict whether an active trading market for the notes will develop or be sustained. If an active market for the notes fails to develop or be sustained, the trading price of the notes could fall. If an active trading market were to develop, the notes could trade at prices that may be lower than the offering price of the notes pursuant to this prospectus. Whether or not the notes will trade at lower prices depends on many factors, including:

- prevailing interest rates and the markets for similar securities;

- general economic conditions; and
- our financial condition, historic financial performance and future prospects.

Any rating of the notes may cause their trading price to fall.

In the future, one or more rating agencies may rate the notes. If the rating agencies rate the notes, they may assign a lower rating than expected by investors. Rating agencies may also lower ratings on the notes in the future. If the rating agencies assign a lower than expected rating or reduce their ratings in the future, the trading price of the notes could decline.

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information made by us that are based on the beliefs of our respective management as well as estimates and assumptions made by and information currently available to our management. The words "could," "may," "might," "will," "would," "shall," "should," "pro forma," "potential," "pending," "intend," "believe," "expect," "anticipate," "estimate," "plan," "future" and other similar expressions generally identify forward-looking statements, including, in particular, statements regarding future services, market expansion and pending litigation. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned not to place undue reliance on these forward-looking statements. Such

forward-looking statements reflect the views of our management at the time such statements are made and are subject to a number of risks, uncertainties, estimates and assumptions, including, without limitation, in addition to those identified in the text surrounding such statements, those identified under "Risk Factors" and elsewhere in this prospectus.

Some of the forward-looking statements contained in this prospectus include:

- statements regarding the expected assumption of debt and anticipated transaction expenses in connection with the proposed acquisitions;
- statements regarding the expected losses from the disposal of discontinued operations;
- statements regarding the potential dilutive effect of the proposed acquisitions on our earnings per share;
- statements regarding the financial and operational success of the proposed acquisitions;
- statements regarding the expected benefits and synergies of the proposed acquisitions;
- statements regarding our inability to obtain lender consent for the proposed acquisitions and our ability to obtain replacement financings;
- statements regarding increasing outsourcing of internal recovery audit functions;
- statements regarding the benefits of global e-commerce initiatives to technologically advanced recovery audit firms; and
- statements regarding market opportunities for recovery audit firms and the opportunities offered by the accounts payable business.

In addition, important factors to consider in evaluating such forward-looking statements include changes or developments in United States and international economic, market, legal or regulatory circumstances, changes in our business or growth strategy or an inability to execute our strategy due to changes in our industry or the economy generally, the emergence of new or growing competitors, the actions or omissions of third parties, including suppliers, customers, competitors and United States and foreign governmental authorities, and various other factors. Should any one or more of these risks or uncertainties materialize, or the underlying estimates or assumptions prove incorrect, actual results may vary significantly and markedly from those expressed in such forward-looking statements, and there can be no assurance that the forward-looking statements contained in this prospectus will in fact occur.

Given these uncertainties, you are cautioned not to place undue reliance on our forward-looking statements. We disclaim any obligation to announce publicly the results of any revisions to any of the forward-looking statements contained in this prospectus, to reflect future events or developments.

INCORPORATION BY REFERENCE

The SEC's rules allow us to "incorporate by reference" into this prospectus the information we file with the SEC. This means that we can disclose important information to you by referring you to those filings. This information we incorporate by reference is considered a part of this prospectus, and subsequent information that we file with the SEC will automatically update and supersede

this information. Any such information so modified or superseded will not constitute a part of this prospectus, except as so modified or superseded. We incorporate by reference the following documents and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act until the selling securityholders sell all of the notes or the shares of common stock offered by this prospectus:

- The descriptions of the common stock and the preferred share purchase rights contained in our Registration Statement on Form 8-A as declared effective on March 26, 1996, as amended by our Registration Statement on Form 8-A/A on August 9, 2000;
- Our Annual Report on Form 10-K for the fiscal year ended December 31, 2000 (including the portions of our Proxy Statement for our 2001 Annual Meeting of Shareholders that are incorporated therein by reference);
- Our Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30 and September 30, 2001;
- Our Current Reports on Form 8-K filed on October 9, 2001, November 1, 2001, November 15, 2001, November 16, 2001 and December 17, 2001; and
- Our Definitive Proxy Statement filed on December 20, 2001.

All documents subsequently filed by us pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated herein by reference and be a part hereof from the date of filing of such documents. Any statement herein or contained in a document incorporated or deemed to be incorporated herein by reference shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes that statement. Any such statement so modified or superseded shall not constitute a part of this prospectus, except as so modified or superseded. For example, the risks and uncertainties under the heading "Risk Factors" above may change or be modified by future filings, from time to time, as our business develops or changes and you should read those updated risk factors.

Upon written or oral request, we will provide you with a copy of any of the incorporated documents without charge (not including exhibits to the documents unless the exhibits are specifically incorporated by reference into the documents). You may submit such a request for this material to Office of the Secretary, The Profit Recovery Group International, Inc., 2300 Windy Ridge Parkway, Suite 100 North, Atlanta, Georgia 30339-8426 (telephone number (770) 779-3900).

RATIO OF EARNINGS TO FIXED CHARGES

Our ratio of earnings to fixed charges is as follows:

Years Ended December 31,					Nine Months Ended September 30,
1996	1997	1998	1999	2000	2001
19.98x	22.22x	20.89x	11.10x	2.51x	2.60x

The ratio of earnings to fixed charges has been computed by dividing earnings, which consist of consolidated earnings from continuing operations before discontinued operations and cumulative effect of accounting change plus income taxes and fixed charges, except capitalized interest, by fixed charges, which consist of consolidated interest on indebtedness, including capital interest, amortization of debt discount and issuance cost, and the estimated portion of rental expenses deemed to be equivalent to interest (20% of rental expenses).

USE OF PROCEEDS

The selling securityholders will receive all of the proceeds from the sale under this prospectus of the notes and the common stock issuable upon conversion of the notes. We will not receive any proceeds.

PRICE RANGE OF COMMON STOCK

Our common stock is traded principally on The Nasdaq National Market under the symbol "PRGX." The table below sets forth for the periods presented the high and low sales prices per share for PRG common stock, as reported on The Nasdaq National Market, adjusted for a 3-for-2 stock split effected by a stock dividend paid on August 17, 1999.

	High	Low
Year Ended December 31, 1999:		
First Quarter	$ 26.67	$ 18.7
Second Quarter	32.25	22.4
Third Quarter	45.50	24.8
Fourth Quarter	47.50	23.0
Year Ended December 31, 2000:		
First Quarter	$ 34.38	$ 14.7
Second Quarter	20.56	13.0
Third Quarter	18.81	7.8
Fourth Quarter	9.91	3.0
Year Ended December 31, 2001:		
First Quarter	$ 7.67	$ 4.8
Second Quarter	14.00	4.8
Third Quarter	16.10	9.1
Fourth Quarter (through December 26, 2001)	9.80	4.2

As of December 11, 2001, there were 48,784,120 shares of our common stock outstanding, which were owned by 327 holders of record.

DIVIDEND POLICY

We have not paid cash dividends on our common stock since our initial public offering on March 26, 1996 and do not intend to pay cash dividends in the foreseeable future. Moreover, restrictive covenants included in our senior credit facility limit our ability to pay cash dividends.

DESCRIPTION OF THE NOTES

The notes were issued under an indenture between us and SunTrust Bank, Atlanta, Georgia, as trustee. The terms of the notes include those provided in the indenture and those provided in the registration rights agreement, which we entered into with the initial purchasers of certain of the notes. A copy of the form of indenture and the registration rights agreement will be available upon request to us. We have summarized portions of the indenture and the registration rights agreement below. This summary is not complete. We urge you to read the indenture and the registration rights agreement because those documents define your rights as a holder of the notes. Terms not defined in this description have the meanings given to them in the indenture. In this section, the words "we," "us," "our" or "PRG" do not include any current or future subsidiary of The Profit Recovery Group International, Inc.

General

The notes represent general unsecured obligations of ours, are subordinated in right of payment to all of our existing and future senior indebtedness as described under "--Subordination of Notes" below and are convertible at the option of the holders into our common stock as described under "--Conversion Rights" below. We initially issued notes in the aggregate principal amount of $95.0 million on November 26, 2001, issued an additional $15.0 million on December 3, 2001, and issued an additional $15.0 million in aggregate principal amount when the overallotment option was exercised in full on December 4, 2001. The notes will mature on November 26, 2006, unless earlier redeemed by us on or after November 26, 2004 or repurchased at the option of the holders upon the occurrence of a change in control (as defined below). Under the indenture, we may, without the consent of the holders of the notes, "reopen" the series and issue additional notes from time to time in the future having the same terms other than the date of original issuance and the date on which interest begins to accrue. The notes already issued and any additional notes we may issue in the future upon such a reopening will constitute a single series of notes under the indenture. This means that, in circumstances where the indenture provides for the holders of the notes to vote or take any other action, the notes and any additional notes that we may issue upon a reopening will vote or take that action as a single class.

The notes bear interest at the rate of 4 3/4% per year from the date of issuance of the notes, or from the most recent date to which interest had been paid or provided for. Interest will be payable semi-annually on May 26 and November 26 of each year, commencing May 26, 2002 to holders of record at the close of business on the preceding May 11 and November 11, respectively. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. In the event of the maturity, conversion, purchase by us at the option of the holder or redemption of a note, interest will cease to accrue on the note under the terms of and subject to the conditions of the indenture.

If any interest payment date or maturity date of a note or date for repurchase of a note at the option of the holder following a change in control is not a business day, then payment of the principal, premium, if any, and interest due on that date may be made on the next business day. In that case, no interest will accrue on the amount payable for the period from and after the

applicable interest payment date, maturity date or repurchase date, as the case may be.

The notes, except for notes issued to institutional accredited investors that are not qualified institutional buyers, as those terms are defined below, were issued in book-entry form and are evidenced by one or more global certificates, which we sometimes refer to as "global notes," registered in the name of Cede & Co., as nominee for The Depository Trust Company. Holders of interests in global notes are not entitled to receive notes in definitive certificated form registered in their names except in limited circumstances.

Principal will be payable, and the notes, in certificated form, may be presented for conversion, registration of transfer and exchange, without service charge, at our office or agency in New York City, which shall initially be at the office of Computer Share, c/o SunTrust Bank, 88 Pine Street, 19th Floor, New York, New York 10005. See "--Global Notes; Book-Entry Form."

Payment of interest on global notes will be made to DTC or its nominee. Payment of interest on notes in definitive certificated form will be made against presentation of those notes at the agency referred to in the preceding paragraph or, at our option, by mailing checks payable to the persons entitled to that interest to their addresses as they appear in the note register. However, a holder of notes with an aggregate principal amount in excess of $5 million will be paid by wire transfer in immediately available funds at the election of such holder.

The indenture does not contain any financial covenants or any restrictions on the payment of dividends, the repurchase of our securities or the incurrence by us or our subsidiaries of senior indebtedness, as defined below under "--Subordination of Notes," or any other indebtedness. The indenture also does not contain any covenants or other provisions to afford protection to holders of the notes in the event of a highly leveraged transaction or a change in control of PRG except to the extent described under "--Repurchase at Option of Holders Upon a Change in Control" below.

Conversion Rights

The holders of the notes may, at any time on or prior to the close of business on the final maturity date of the notes, convert any outstanding notes, or portions thereof, into our common stock, initially at a conversion price of $7.74 per share of common stock. The initial conversion rate is 129.1990 shares of common stock per $1,000 principal amount of notes, subject to adjustment as described below. Holders may convert the notes only in denominations of $1,000 and whole multiples of $1,000. Except as described below, no payment or other adjustment will be made on conversion of any notes for interest accrued thereon or for dividends on any common stock.

If notes are converted after a record date for an interest payment but prior to the next interest payment date, those notes, other than notes called for redemption, will receive interest payable on such notes on the corresponding interest payment date notwithstanding the conversion. Such notes, upon surrender, must be accompanied by funds equal to the interest payable to the record holder on the next interest payment date on the principal amount so converted. No payment will be required from a holder if we exercise our right to redeem such notes on a redemption date that occurs after a record date and on or prior to the third business day after that interest payment date. We are not required to issue fractional shares of common stock upon conversion of notes and instead will pay a cash adjustment based upon the market price of our common stock on the last business day before the date of conversion. In the case of

notes called for redemption, conversion rights will expire at the close of business on the business day preceding the date fixed for redemption, unless we default in the payment of the redemption price.

A holder may exercise the right of conversion by delivering the note to be converted, duly endorsed or assigned as provided in the indenture, to the specified office of a conversion agent, with a completed notice of conversion, together with any funds that may be required as described in the preceding paragraph. The conversion date will be the date on which the notes, the notice of conversion and any required funds have been so delivered. A holder delivering a note for conversion will not be required to pay any taxes or duties relating to the issuance or delivery of the common stock for such conversion, but will be required to pay any tax or duty which may be payable relating to any transfer involved in the issuance or delivery of the common stock in a name other than the holder of the note. Certificates representing shares of common stock will be issued or delivered only after all applicable taxes and duties, if any, payable by the holder have been paid.

The initial conversion price will be adjusted for certain future events, including:

1. the issuance of our common stock as a dividend or distribution on our common stock;

2. certain subdivisions and combinations of our common stock;

3. the issuance to all holders of our common stock of certain rights or warrants to purchase our common stock or securities convertible into our common stock at less than, or having a conversion price per share less than, the current market price (as defined in the indenture) of our common stock;

4. the dividend or other distribution to all holders of our common stock of shares of our capital stock or the capital stock of any of our subsidiaries, other than our common stock, or evidences of our indebtedness or our assets, including securities, but excluding (a) those rights and warrants referred to in clause (3) above, (b) dividends and distributions in connection with a reclassification, change, consolidation, merger, combination, sale or conveyance resulting in a change in the conversion consideration pursuant to the third succeeding paragraph below or (c) dividends or distributions paid exclusively in cash;

5. dividends or other distributions consisting exclusively of cash to all holders of our common stock excluding any cash that is distributed upon a reclassification or change of our common stock, merger, consolidation, statutory share exchange, combination, sale or conveyance as described in the third succeeding paragraph below or as part of a distribution referred to in clause (4) above to the extent that such distributions, combined together with (A) all other such all-cash distributions made within the preceding 12 months for which no adjustment has been made plus (B) any cash and the fair market value of other consideration paid for any tender or exchange offers by us or any of our subsidiaries for our common stock concluded within the preceding 12 months for which no adjustment has been made, exceeds 10% of our market capitalization on the record date for such distribution; market capitalization is the product of the then current market price of our common stock and the number of shares of our common stock then outstanding; and

6. the purchase of our common stock pursuant to a tender offer or exchange offer made by us or any of our subsidiaries which involves an

aggregate consideration that, together with (A) any cash and the fair market value of any other consideration paid in any other tender offer or exchange offer by us or any of our subsidiaries for our common stock expiring within the 12 months preceding such tender offer or exchange offer for which no adjustment has been made plus (B) the aggregate amount of any all-cash distributions referred to in clause (5) above to all holders of our common stock within 12 months

preceding the expiration of that tender offer or exchange offer for which no adjustment has been made, exceeds 10% of our market capitalization on the expiration of such tender offer or exchange offer.

In the event that we pay a dividend or make a distribution on shares of our common stock consisting of capital stock of, or similar equity interests in, as described in clause (4) above, a subsidiary or other business unit of ours, the conversion rate will be adjusted based on the market value of the securities so distributed relative to the market value of our common stock, in each case based on the average sale prices of those securities for the 10 trading days commencing on and including the fifth trading day after the date on which "ex-dividend trading" commences for such dividend or distribution on The Nasdaq National Market or such other national or regional exchange or market on which the securities are then listed or quoted.

No adjustment in the conversion price will be required unless such adjustment would require a change of at least 1% in the conversion price then in effect at such time. Any adjustment that would otherwise be required to be made shall be carried forward and taken into account in any subsequent adjustment. Except as stated above, the conversion price will not be adjusted for the issuance of common stock or any securities convertible into or exchangeable for our common stock or carrying the right to purchase any of the foregoing.

In the case of:

- any reclassification or change of our common stock (other than changes resulting from a subdivision or combination);
- a consolidation, merger or combination involving us;
- a sale or conveyance to another corporation of all or substantially all of our property and assets; or
- any statutory share exchange;

in each case as a result of which holders of our common stock are entitled to receive stock, other securities, other property or assets (including cash or any combination thereof) with respect to or in exchange for our common stock, the holders of the notes then outstanding will be entitled thereafter to convert such notes into the kind and amount of shares of stock, other securities or other property or assets (including cash or any combination thereof) which they would have owned or been entitled to receive upon such reclassification or change of our common stock, consolidation, merger, combination, sale, conveyance or statutory share exchange had such notes been converted into our common stock immediately prior to such transaction. We may not become a party to any such transaction unless its terms are consistent with the foregoing.

If a taxable distribution to holders of our common stock or transaction occurs which results in any adjustment of the conversion price, the holders of

notes may, in certain circumstances, be deemed to have received a distribution subject to United States income tax as a dividend. In certain other circumstances, the absence of such an adjustment may result in a taxable dividend to the holders of common stock. See "United States Federal Income Tax Considerations."

We may from time to time, to the extent permitted by law, reduce the conversion price of the notes by any amount for any period of at least 20 days. In that case, we will give at least 15 days' notice of such reduction. We may make such reductions in the conversion price, in addition to those set forth above, as our board of directors deems advisable to avoid or diminish any income tax to holders of our common stock resulting from any dividend or distribution of stock or rights to acquire stock or from any event treated as such for income tax purposes. See "United States Federal Income Tax Considerations."

Subordination of Notes

The right to payment on the notes of principal, premium (if any), interest, and liquidated damages, if any, is subordinated in right of payment, as set forth in the indenture, to the prior payment in full in cash or cash equivalents of all Senior Indebtedness, as defined below, whether outstanding on the date of the indenture or thereafter incurred. The notes are also effectively subordinated to all indebtedness and other liabilities, including trade payables and lease obligations, if any, of our subsidiaries.

In the event of any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding in connection therewith, relating to PRG or to its assets, or any liquidation, dissolution or other winding-up of PRG, whether voluntary or involuntary, or any assignment for the benefit of creditors or other marshaling of assets or liabilities of PRG, except in connection with the consolidation or merger of PRG or its liquidation or dissolution following the conveyance, transfer or lease of

its properties and assets substantially upon the terms and conditions described under "--Consolidation, Mergers and Sales of Assets" below, the holders of Senior Indebtedness will be entitled to receive payment in full in cash or cash equivalents of all Senior Indebtedness before the holders of notes will be entitled to receive any payment or distribution of any kind or character, other than any payment or distribution in the form of equity securities or subordinated securities of PRG or any successor obligor that, in the case of any such subordinated securities, are subordinated in right of payment to all Senior Indebtedness that may at the time be outstanding to at least the same extent as the notes are so subordinated, called Permitted Junior Securities, on account of principal of, or premium, if any, or interest on the notes; and any payment or distribution of assets of PRG of any kind or character, whether in cash, property or securities other than a payment or distribution in the form of Permitted Junior Securities, by set-off or otherwise, to which the holders of the notes or the trustee would be entitled but for the provisions of the indenture relating to subordination shall be paid by the liquidating trustee or agent or other person making such payment or distribution directly to the holders of Senior Indebtedness or their representatives ratably according to the aggregate amounts remaining unpaid on account of the Senior Indebtedness to the extent necessary to, make payment in full of all Senior Indebtedness remaining unpaid, after giving effect to any current payment or distribution to the holders of such Senior Indebtedness.

No payment or distribution of any assets of PRG of any kind or character, whether in cash, property or securities other than Permitted Junior Securities,

as defined below, may be made by or on behalf of PRG on account of principal of, premium, if any, or interest on the notes or on account of the purchase, redemption or other acquisition of notes upon the occurrence of any Payment Default as defined below, until such Payment Default shall have been cured or waived in writing or shall have ceased to exist or such Designated Senior Indebtedness shall have been discharged or paid in full in cash or cash equivalents. A "Payment Default" shall mean a default in payment, whether at scheduled maturity, upon scheduled installment, by acceleration or otherwise, of principal of, or premium, if any or interest on Designated Senior Indebtedness, as defined below, beyond any applicable grace period.

No payment or distribution of any assets of PRG of any kind or character, whether in cash, property or securities other than Permitted Junior Securities, may be made by or on behalf of PRG on account of principal of, premium, if any, or interest on the notes or on account of the purchase, redemption or other acquisition of notes for the period specified below, called a Payment Blockage Period, as defined below, upon the occurrence of any default or event of default with respect to any Designated Senior Indebtedness other than any Payment Default pursuant to which the maturity thereof may be accelerated and receipt by the trustee of written notice thereof from the trustee or other representative of holders of Designated Senior Indebtedness, or a Non-Payment Default.

The foregoing provisions would not necessarily protect holders of the notes if highly leveraged or other transactions involving us occur that may adversely affect holders.

The Payment Blockage Period will begin on the date the trustee receives written notice from the trustee or other representative of the holders of the Designated Senior Indebtedness in respect of which the Non-Payment Default, as defined below, exists and shall end on the earliest of:

1. 179 days after the trustee receives the notice, provided that any Designated Senior Indebtedness as to which notice was given shall not theretofore have been accelerated;

2. the date on which the Non-Payment Default is cured, waived or ceases to exist;

3. the date on which the Designated Senior Indebtedness is discharged or paid in full in cash or cash equivalents; or

4. the date on which the trustee or other representative initiating the Payment Blockage Period terminates the period by providing written notice to PRG or the trustee of the Notes.

After the Payment Blockage Period ends, we will resume making any and all required payments in respect of the notes, including any missed payments. In any event, not more than one Payment Blockage Period may be commenced during any period of 365 consecutive days. No Non-Payment Default that existed or was continuing on the date of the commencement of any Payment Blockage Period will be, or can be made, the basis for the commencement of a subsequent Payment Blockage Period, unless such Non-Payment Default has been cured or waived for a period of not less than 90 consecutive days subsequent to the commencement of such initial Payment Blockage Period.

In the event that, notwithstanding the provisions of the preceding four paragraphs, any payment or distribution shall be received by the trustee or any holder of the notes which is prohibited by such provisions, then such payment shall be paid over and delivered by such trustee or holder to the trustee or any other representatives of holders of Senior Indebtedness, as their interest may appear, for application to Senior Indebtedness. After all Senior Indebtedness is paid in full in cash or cash equivalents and until the notes are paid in full,

holders of the notes shall be subrogated equally and ratably with all other indebtedness that is equal in right of payment to the notes to the rights of holders of Senior Indebtedness to receive distributions applicable to Senior Indebtedness to the extent that distributions otherwise payable to the holders of the notes have been applied to the payment of Senior Indebtedness. See "--Events of Default" below.

Failure by PRG to make any required payment in respect of the notes when due or within any applicable grace period, whether or not occurring during a Payment Blockage Period, will result in an Event of Default and, thereafter, holders of the notes will have the right to accelerate the maturity thereof. See "--Events of Default."

By reason of such subordination, in the event of liquidation, receivership, reorganization or insolvency of PRG, our general creditors may recover less, ratably, than holders of senior debt and such general creditors may recover more, ratably, than holders of notes. Moreover, the notes will be structurally subordinated to the liabilities of subsidiaries of PRG.

As of December 17, 2001, PRG had no Senior Indebtedness outstanding, and as of September 30, 2001, our subsidiaries had $52.0 million in indebtedness and other liabilities outstanding. PRG will assume from $59.7 million to $69.5 million of HSA-Texas net debt in the proposed acquisitions, all of which will be Senior Indebtedness, and intends to obtain a replacement Senior Credit Facility with borrowing capacity of up to $75.0 million, all amounts outstanding under which will be Senior Indebtedness.

"Designated Senior Indebtedness" means all Senior Indebtedness under the Senior Credit Facility.

"Indebtedness" means, with respect to any person, without duplication:

- all indebtedness, obligations and other liabilities contingent or otherwise of such person for borrowed money including overdrafts or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business, but including, without limitation, all obligations, contingent or otherwise, of such person in connection with any letters of credit and acceptances issued under letter of credit facilities, acceptance facilities or other similar facilities;

- all obligations of such person evidenced by bonds, credit or loan agreements, notes, debentures or other similar instruments;

- indebtedness of such person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such person, even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property, but excluding trade payables arising in the ordinary course of business;

- all obligations and liabilities contingent or otherwise in respect of leases of the person required, in conformity with accounting principles generally accepted in the Untied States of America, to be accounted for as capitalized lease obligations on the balance sheet of the person and all obligations and other liabilities contingent or otherwise under any lease or related document, including a purchase agreement, in connection with the lease of real property or improvements thereon which provides that the person is contractually

obligated to purchase or cause a third party to purchase the leased property or pay an agreed upon residual value of the leased property to the lessor and the obligations of the person under the lease or related document to purchase or to cause a third party to purchase the leased property whether or not such lease transaction is characterized as an operating lease or a capitalized lease in accordance with accounting principles generally accepted in the United States of America, including, without limitation, synthetic lease obligations;

- all obligations of such person under or in respect of interest rate agreements, currency agreements or other swap, cap floor or collar agreement, hedge agreement, forward contract or similar instrument or agreement or foreign currency, hedge, exchange or purchase or similar instrument or agreement;

- all indebtedness referred to in, but not excluded from, the preceding clauses of other persons and all dividends of other persons, the payment of which is secured by or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by any lien or with respect to property, including, without limitation, accounts and contract rights, owned by such person, even though such person has not assumed or become liable for the payment of such indebtedness, the amount of such obligation being deemed to be the lesser of the value of such property or asset or the amount of the obligation so secured;

- all guarantees by such person of indebtedness referred to in this definition or of any other person;

- all Redeemable Capital Stock, as defined below, of such person valued at the greater of its voluntary or involuntary maximum fixed repurchase price plus accrued and unpaid dividends;

- the present value of the obligation of such person as lessee for net rental payments, excluding all amounts required to be paid on account of maintenance and repairs, insurance, taxes, assessments, water, utilities and similar charges to the extent included in such rental payments, during the remaining term of the lease included in any such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. This present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with accounting principles generally accepted in the United States of America; and

- any and all refinancings, replacements, deferrals, renewals, extensions and refundings of or amendments, modifications or supplements to, any indebtedness, obligation or liability of kind described in the clauses above.

"Redeemable Capital Stock" means any class of our capital stock that, either by its terms, by the terms of any securities into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed, whether by sinking fund or otherwise, prior to the date that is 91 days after the final scheduled maturity of the notes or is redeemable at the option of the holder thereof at any time prior to such date, or is convertible into or exchangeable for debt securities at any time prior to such date unless it is convertible or exchangeable solely at our option.

"Senior Credit Facility" means the credit agreement dated as of July 29, 1998 among us, as the borrower, our domestic subsidiaries as guarantors, the various financial institutions from time to time that are parties thereto, as lenders, Bank of America, N.A., as agent for the lenders including amendments, renewals, extensions, substitutions, refinancings, restructurings, and supplements thereto.

"Senior Indebtedness" means:

- all obligations of PRG, now or hereafter existing, under or in respect of the Senior Credit Facility, as amended from time to time, and the documents and instruments executed in connection therewith, whether for principal, premium, if any, interest, including interest accruing after the filing of, or which would have accrued but for the filing of, a petition by or against PRG under bankruptcy law, whether or not such interest is allowed as a claim after such filing in any proceeding under such law, and other amounts due in connection therewith, including, without limitation, any fees, premiums, expenses, reimbursement obligations with respect to indemnities, whether outstanding on the date of the indenture or thereafter created, incurred or assumed and any hedging obligations with respect thereto; and

- the principal of and premium, if any, and interest on, and fees, costs, enforcement expenses, collateral protection expenses and other reimbursement or indemnity obligations in respect of all of our indebtedness or obligations to any person for money borrowed that is evidenced by a note, bond, debenture, loan agreement, or similar instrument or agreement including default interest and interest accruing after a bankruptcy, whether outstanding on the date of the indenture or thereafter created, incurred or assumed, unless, in the case of any particular indebtedness or obligation, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such indebtedness shall not be senior in right of payment to the notes.

Notwithstanding the foregoing, "Senior Indebtedness" shall not include:

- indebtedness of PRG that is expressly subordinated in right of payment to any other indebtedness of PRG;

- indebtedness evidenced by the notes;

- indebtedness of PRG that by operation of law is subordinate to any general unsecured obligations of PRG;

- any liability for federal, state or local taxes or other taxes owed or owing by PRG;

- accounts payable or other liabilities owed or owing by PRG to trade creditors including guarantees thereof or instruments evidencing such liabilities;

- amounts owed by PRG for compensation to employees or for services rendered to PRG;

- indebtedness of PRG to any subsidiary or any other affiliate of PRG or any of such affiliate's subsidiaries;

- capital stock of PRG;

- indebtedness evidenced by any guarantee of any indebtedness ranking equal or junior in right of payment to the notes; and

- indebtedness which, when incurred and without respect to any election under Section 1111(b) of Title 11 of the United States Code, is without recourse to PRG.

The notes are also effectively subordinated to all liabilities, including trade payables and lease obligations, if any, of our subsidiaries. Any right by us to receive the assets of any of our subsidiaries upon the liquidation or reorganization thereof, and the consequent right of the holders of the notes to participate in these assets, will be effectively subordinated to the claims of that subsidiary's creditors including trade creditors, except to the extent that we are recognized as a creditor of such subsidiary, in which case our claims would still be subordinate to any security interests in the assets of such subsidiary and any indebtedness of such subsidiary senior to that held by us.

Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the notes or to make any funds available for paying such dividends, whether by dividends, loans or other payments. In addition, the payment of dividends and the making of loans and advances to us by our subsidiaries may be subject to statutory, contractual or other restrictions and are dependent upon the earnings or financial condition of those subsidiaries and subject to various business considerations. As a result, we may be unable to gain access to the cash flow or assets of our subsidiaries.

The indenture will not limit the amount of additional indebtedness, including Senior Indebtedness, which we can create, incur, assume or guarantee, nor will the indenture limit the amount of indebtedness or other liabilities that our subsidiaries can create, incur, assume or guarantee. We are obligated to pay reasonable compensation to the trustee and to indemnify the trustee against certain losses, liabilities or expenses incurred by it in connection with its duties relating to the notes. The trustee's claims for such payments will generally be senior to those of the holders of the notes in respect of all funds collected or held by the trustee.

Optional Redemption by PRG

There is no sinking fund for the notes. At any time on or after November 26, 2004, we will be entitled to redeem some or all of the notes on at least 30 but not more than 60 days' notice, at a redemption price of $1,000 per $1,000 principal amount of notes, plus accrued and unpaid interest to, but not including, the redemption date, if the closing price for our common stock has exceeded 140% of the conversion price then in effect for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day prior to the date of mailing of the optional redemption notice. However, if a redemption date is an interest payment date, the semi-annual payment of interest becoming due on such date shall be payable to the holder of record at the close of business on the relevant record date and the redemption price shall not include such interest payment.

If we do not redeem all of the notes, the trustee will select the notes to be redeemed in principal amounts of $1,000 or whole multiples of $1,000 by lot, on a pro rata basis or in accordance with any other method the trustee considers fair and appropriate. If any notes are to be redeemed in part only, a new note or notes in principal amount equal to the unredeemed principal portion thereof will be issued. If a portion of a holder's notes is selected for partial

redemption and the holder converts a portion of its notes, the converted portion will be deemed to be taken from the portion selected for redemption.

Repurchase at Option of Holders Upon a Change in Control

If a change in control occurs, each holder of notes will have the right to require us to repurchase all of such holder's notes not previously called for redemption, or any portion of those notes that is equal to $1,000 or a whole multiple of $1,000, on the date that is 45 days (or if that 45th day is not a business day, the next succeeding business day) after the date we give notice of the change in control at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, together with interest accrued and unpaid to, but excluding, the repurchase date; provided that, if such repurchase date is an interest payment date, then the interest payable on such date shall be payable to the holder of record at the close of business on the relevant record date and the repurchase price shall not include such interest payment.

Instead of paying the repurchase price in cash, we may pay the repurchase price in common stock if we so elect in the notice referred to below. The number of shares of common stock a holder will receive will equal the repurchase price divided by 95% of the average of the closing sales prices of our common stock for the five trading days immediately preceding and including the third trading day prior to the repurchase date. If we pay the repurchase price in common stock, we will not issue fractional shares of common stock, but we will instead pay a cash adjustment based upon the closing sales price of our common stock during such five trading day period. However, we may not pay in common stock unless we satisfy certain conditions prior to the repurchase date as provided in the indenture.

Within 30 days after the occurrence of a change in control, we are required to give notice to all holders of record of notes, as provided in the indenture, of the occurrence of the change in control and of their resulting repurchase right. We must also deliver a copy of our notice to the trustee. In order to exercise the repurchase right, a holder of notes must deliver, on or before the 30th day after the date of our notice of the change in control, written notice to the trustee of the holder's exercise of its repurchase right, together with the notes with respect to which the right is being exercised.

A holder who has delivered written notice of the exercise of its repurchase right as described in the preceding paragraph with respect to any notes will not be permitted to convert those notes except to the extent such holder has withdrawn that notice. A holder may withdraw the notice at any time prior to the close of business on the repurchase date by delivering a written notice of withdrawal to the trustee as provided in the indenture.

Under the indenture, a "change in control" of PRG will be deemed to have occurred at such time after the original issuance of the notes when the following has occurred:

- the acquisition by any person, including any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Exchange Act, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of transactions, of shares of our capital stock entitling that person to exercise 50% or more of the total voting power of all shares of our capital stock entitled to vote generally in elections of directors, other than any acquisition by us, any of our subsidiaries or any of our employee benefit plans;

- our consolidation or merger with or into any other person, any merger of another person into us, or any conveyance, transfer, sale, lease or other disposition of all or substantially all of our properties and assets to another person, other than:

  1. any transaction (A) that does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of our capital stock and (B) pursuant to which holders of our capital stock immediately prior to the transaction are entitled to exercise, directly or indirectly, 50% or more of the total voting power of all shares of our capital stock entitled to vote generally in the election of directors of the continuing or surviving person immediately after the transaction; or

  2. any merger solely for the purpose of changing our jurisdiction of