PROFIT RECOVERY GROUP INTERNATIONAL INC
Form DEFS14A
December 20, 2001

SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant [X]

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to ss.240.14a-11(c) or ss.240.14a-12

THE PROFIT RECOVERY GROUP INTERNATIONAL, INC.

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[ ] No fee required.

[X] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies: Common Stock, no par value, and options to purchase Common Stock

(2) Aggregate number of securities to which transaction applies: 15,353,846 shares of Common Stock and options to purchase an indeterminate number of shares, not to exceed 1,678,826 shares

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined): Based upon the average of the high and low sales prices of the registrant's Common Stock on August 30, 2001 as quoted on The Nasdaq National Market

(4) Proposed maximum aggregate value of transaction: $236,583,814.08

(5) Total fee paid: $47,316.76

[ ] Fee paid previously with preliminary materials:

[X] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid: $59,787.03

(2) Form, Schedule or Registration Statement No.: Form S-4 Registration Statement No. 333-69142

(3) Filing Party: The Profit Recovery Group International, Inc.

(4) Date Filed: September 7, 2001

(PRG LOGO)
THE PROFIT RECOVERY GROUP INTERNATIONAL, INC.
2300 WINDY RIDGE PARKWAY
SUITE 100 NORTH
ATLANTA, GEORGIA 30339-8426

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON JANUARY 24, 2002

To the Shareholders of
The Profit Recovery Group International, Inc.

NOTICE IS HEREBY GIVEN that a Special Meeting of Shareholders of The Profit Recovery Group International, Inc. ("PRG") will be held on Thursday, January 24, 2002 at 9:00 a.m. local time at PRG's offices, 2300 Windy Ridge Parkway, Atlanta, Georgia 30339-8426, for the following purposes:

1. To consider and vote upon the proposed issuance by PRG of an aggregate of up to 15,353,846 shares of its common stock and options to purchase an indeterminate number of shares of its common stock, not to exceed 1,678,826 shares, in connection with the proposed acquisition by PRG of substantially all of the assets of Howard Schultz & Associates International, Inc. ("HSA-Texas") and the concurrent acquisition by PRG of substantially all of the outstanding stock of HS&A International Pte Ltd. and all of the outstanding stock of Howard Schultz & Associates (Asia) Limited, Howard Schultz & Associates (Australia), Inc. and Howard Schultz & Associates (Canada), Inc., each an affiliated foreign operating company of HSA-Texas; and pursuant to the terms of the proposed acquisitions, the election of Howard Schultz and Andrew Schultz as Class II directors, Nate Levine as a Class I director and Arthur Budge, Jr. as a Class III director, conditioned upon closing of the proposed acquisitions.

2. To transact any other matters as may properly come before this special meeting, including any motion to adjourn to a later time to permit further solicitation of proxies, if necessary to establish a quorum or to obtain additional votes in favor of the proposed acquisitions, or for any postponements or adjournments thereof.

The foregoing proposed acquisitions are more fully described in the accompanying proxy statement. The PRG board of directors unanimously recommends that PRG shareholders vote in favor of the proposed share and option issuances described above and the election of the nominated directors.

The PRG board of directors fixed the close of business on December 11, 2001 as the record date for the determination of PRG shareholders entitled to notice of and to vote at the PRG special meeting and at any postponements or adjournments thereof.

To ensure that your PRG shares are represented at the PRG special meeting, please complete, date and sign the enclosed PRG proxy card and return it promptly to PRG in the enclosed postage paid envelope whether or not you plan to attend the PRG special meeting. If you attend the PRG special meeting, you may revoke your proxy and vote in person.

By Order of the Board of Directors

/s/ John M. Cook
John M. Cook
Chairman of the Board and Chief
Executive Officer

Atlanta, Georgia

December 19, 2001

(PRG LOGO) The Profit Recovery Group International

The Profit Recovery Group International, Inc. ("PRG") proposes to acquire for up to 15,353,846 shares of its common stock substantially all of the assets of Howard Schultz & Associates International, Inc. ("HSA-Texas"), substantially all of the outstanding stock of HS&A International Pte Ltd. ("HSA-Singapore") and all of the outstanding stock of Howard Schultz & Associates (Asia) Limited ("HSA-Asia"), Howard Schultz & Associates (Australia), Inc. ("HSA-Australia") and Howard Schultz & Associates (Canada), Inc. ("HSA-Canada"), each an affiliated foreign operating company of HSA-Texas, pursuant to an amended and restated agreement and plan of reorganization in connection with the asset acquisition and an amended and restated agreement and plan of reorganization in connection with the stock acquisition. In addition, PRG expects to issue options to purchase an indeterminate number of shares of PRG common stock, not to exceed 1,678,826 shares, in connection with the assumption of certain options to purchase HSA-Texas common stock.

The board of directors of PRG has unanimously approved the asset and stock agreements, the proposed issuance of shares of PRG common stock and options to purchase PRG common stock described above, and the nomination of Mr. Howard Schultz, Mr. Andrew Schultz, Mr. Arthur Budge, Jr. and Mr. Nate Levine to serve as directors of PRG, conditioned upon the closing of the proposed acquisitions, and recommends that PRG shareholders vote for approval of the proposed share and option issuances and in favor of the four director nominees. The board of directors of HSA-Texas has approved the final form of the asset agreement, which has been executed by the parties thereto. The shareholders of HSA-Texas must also approve the final form of the asset agreement and the sale of substantially all of HSA-Texas' assets to PRG. The shareholders of the affiliated foreign operating companies who are parties to the stock agreement have executed the final form of the stock agreement.

The proposed acquisitions cannot be completed unless the shareholders of PRG approve the share and option issuances and elect the four nominees for director. PRG has scheduled a special meeting for PRG shareholders to vote on the proposed share and option issuances and the election of the director nominees. Each Shareholder's Vote Is Very Important.

Only shareholders of record of PRG common stock as of December 11, 2001 are entitled to attend and vote at the PRG special meeting. The date, time and place of the PRG meeting are as follows:

January 24, 2002 at 9:00 a.m.
2300 Windy Ridge Parkway
Atlanta, Georgia 30339-8426

Whether or not you plan to attend the meeting, please complete and mail the enclosed PRG proxy card to PRG. If you sign, date and mail your PRG proxy card without indicating how you want to vote, your PRG proxy will be counted as a vote in favor of the proposed share and option issuances and for the election of the director nominees.

This proxy statement provides PRG shareholders with detailed information about the proposed share and option issuances. We encourage PRG shareholders to read this entire document carefully. In addition, PRG shareholders may obtain information about PRG from documents that PRG has filed with the Securities and Exchange Commission. PRG's common stock trades on The Nasdaq National Market under the symbol "PRGX."

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE PROPOSED SHARE AND OPTION ISSUANCES DESCRIBED IN THIS PROXY STATEMENT, NOR HAVE THEY DETERMINED IF THIS PROXY STATEMENT IS ACCURATE OR ADEQUATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This proxy statement is dated December 19, 2001, and is being first mailed to PRG shareholders on or about December 21, 2001.

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SUMMARY TERM SHEET

The following information, together with the "Additional Summary Term Sheet Information" below, highlights the material information contained in this document and may not contain all of the information that is important to you. To understand the proposed acquisitions fully, you should read carefully this entire document and the other available information referred to in "Where You Can Find More Information" at page 117 of this proxy statement. The asset agreement is attached to this proxy statement as Annex A and the stock agreement is attached to this proxy statement as Annex B. You are encouraged to read these agreements, as they are the main legal documents governing the proposed acquisitions.

QUESTIONS AND ANSWERS ABOUT THE PROPOSED ACQUISITIONS

Q: WHAT TRANSACTIONS DO PRG AND HSA-TEXAS PROPOSE? (SEE PAGES 43-45; 60)

A: PRG proposes to acquire substantially all of the assets of HSA-Texas in exchange for PRG's assumption of certain HSA-Texas liabilities and PRG's issuance of 14,724,338 shares of PRG common stock, less a number of shares of PRG common stock having a value equal to the "in the money" value of the options to purchase shares of HSA-Texas common stock and HSA-Texas stock appreciation rights, or SARs, outstanding at the closing, as described in the asset agreement attached as Annex A to this proxy statement.

In addition to issuing shares of its common stock to acquire the assets of HSA-Texas, PRG will also issue:

- 1,535 shares of PRG common stock to acquire substantially all of the outstanding stock of HSA-Singapore;
- 75,234 shares of PRG common stock to acquire all of the outstanding stock of HSA-Asia;
- 245,662 shares of PRG common stock to acquire all of the outstanding stock of HSA-Australia; and
- 307,077 shares of PRG common stock to acquire all of the outstanding

stock of HSA-Canada;

each an affiliated foreign operating company of HSA-Texas, as described in the stock agreement attached as Annex B to this proxy statement. The aggregate number of shares to be issued pursuant to the asset and stock agreements will not exceed 15,353,846 shares. PRG will also assume certain outstanding liabilities of HSA-Texas and certain outstanding options to purchase shares of HSA-Texas common stock. The number of shares of PRG common stock subject to the assumed options will not exceed 1,678,826 shares. The closings of the transactions contemplated by the stock agreement and the asset agreement are contingent on each other. See "Material Terms of the Asset Agreement" and "Material Terms of the Stock Agreement" for a detailed discussion of other closing conditions.

Q: WHY IS PRG ACQUIRING THE ASSETS OF HSA-TEXAS AND THE STOCK OF THE FOUR AFFILIATED FOREIGN OPERATING COMPANIES? (SEE PAGE 32-34)

A: PRG's board of directors anticipates that after the completion of the proposed acquisitions, PRG should have the potential to realize long-term improved operating and financial results and should be in a stronger competitive position in the recovery audit and expense containment marketplace. PRG's board of directors believes that the proposed acquisitions represent a unique, strategic fit between companies with similar business strategies and complementary recovery audit service offerings, and that the proposed acquisitions are in the best interest of PRG and its shareholders.

Q: HOW MUCH DEBT DOES PRG EXPECT TO INCUR IN CONNECTION WITH THE PROPOSED ACQUISITIONS? (SEE PAGE 41)

A: PRG expects to incur or assume between $59.7 million and $69.5 million of HSA-Texas net debt in connection with the proposed acquisitions.

Q: WHAT ARE PRG SHAREHOLDERS BEING ASKED TO APPROVE? (SEE PAGE 29)

A: PRG shareholders are being asked to approve:

- the issuance of up to 15,353,846 shares of PRG common stock as consideration in connection with the proposed acquisitions;

- the issuance of options to purchase up to 1,678,826 shares of PRG common stock in connection with the assumption of certain outstanding HSA-Texas options; and

- the election of Howard Schultz and Andrew Schultz as Class II directors, Nate Levine as a Class I director and Arthur Budge, Jr. as a Class III director, contingent upon the closing of the proposed acquisitions.

Assuming that holders of a majority of the outstanding shares of PRG common stock entitled to vote on the record date of the special meeting, December 11, 2001, are present, either in person or by proxy, at the special meeting, the affirmative vote of a majority of the shares of PRG common stock entitled to vote that are actually voted either in person or by proxy is required to approve the share and option issuances and to elect the nominated directors.

Q: WHEN DOES PRG EXPECT THE PROPOSED ACQUISITIONS TO BE COMPLETED? (SEE PAGE

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A: The parties are working toward completing the transactions as quickly as possible. Closing requires, in addition to approval by the shareholders of PRG, that each of PRG, HSA-Texas and the shareholders of the affiliated foreign operating companies satisfy or waive all of the closing conditions contained in the asset agreement and stock agreement, as applicable. Under the asset agreement, the transaction will close on a date no later than 10 business days after the satisfaction or waiver of the closing conditions or on the date designated by PRG and HSA-Texas.

Q: WHAT WILL HAPPEN TO THE HSA-TEXAS STOCK OPTIONS AND SARS OUTSTANDING AT CLOSING? (SEE PAGES 46-47)

A: At closing, PRG will assume each outstanding HSA-Texas option held by persons who become employees, directors or independent contractors of PRG or any of its affiliates. These assumed options will constitute options to acquire PRG common stock, on terms equivalent to those of the HSA-Texas stock options, in accordance with the 1999 Howard Schultz & Associates Stock Option Plan. The exercise price and the number of shares subject to each of these HSA-Texas stock options will be adjusted to give effect to the proposed acquisition of HSA-Texas, and all of these options will be vested and have a term of five years following the closing of the asset acquisition. The HSA-Texas SARs and the remaining HSA-Texas options will not be assumed by PRG.

Q: HOW WILL THE NUMBER OF HSA-TEXAS OPTIONS AND SARS OUTSTANDING AT THE CLOSING AFFECT THE NUMBER OF SHARES THAT HSA-TEXAS RECEIVES IN THE ASSET ACQUISITION? (SEE PAGE 45)

A: The number of shares of PRG common stock that PRG delivers to HSA-Texas in the asset acquisition will be reduced by a number of shares having a value equal to the aggregate "in the money" value of all HSA-Texas options and SARs outstanding at closing, whether or not assumed by PRG, divided by the PRG "average price." The PRG average price is defined to be the average of the closing prices of PRG common stock on The Nasdaq National Market for the five trading days prior to the closing of the asset acquisition.

The "in the money" value of each outstanding HSA-Texas option and SAR is computed by subtracting the per share exercise price of the option or the per share grant price of the SAR, as applicable, from the "per share value" attributed to each HSA-Texas share in accordance with a formula which:

- Computes a value for HSA-Texas based on the number of PRG shares proposed to be issued in the asset acquisition multiplied by the average closing price, as defined above; and

- Divides that value by the sum of the number of shares of HSA-Texas outstanding on the closing date, the number of shares of HSA-Texas common stock subject to options outstanding on that date, and the number of HSA-Texas SARs outstanding on that date. See "Material Terms of the Asset Agreement -- Purchase Price."

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The following table generally illustrates the aggregate number of shares that PRG expects to issue to HSA-Texas in the asset acquisition and shows how the number of shares that PRG will issue to HSA-Texas in the asset acquisition will be reduced by the "in the money" value of outstanding options and SARs, based upon a range of hypothetical PRG "average prices." The following assumes that at the closing, there will be 2,307,482 shares of HSA-Texas voting common stock outstanding, 6,435,383 shares of HSA-Texas non-voting common stock outstanding, 1,133,423 shares of HSA-Texas common stock underlying outstanding options and 64,569 outstanding HSA-Texas SARs. The average price of PRG common stock may be more or less than the ranges set forth below and the number of shares of HSA-Texas common stock outstanding, the number of shares of HSA-Texas common stock underlying outstanding options and the number of outstanding HSA-Texas SARs at closing may be more or less than the numbers set forth above.

ASSUMED AVERAGE PRICE OF PRG COMMON STOCK	ESTIMATED TOTAL NUMBER OF PRG SHARES TO BE RECEIVED BY HSA-TEXAS	ESTIMATED REDUCTION IN NUMBER OF PRG SHARES TO BE RECEIVED BY HSA-TEXAS
$ 4.00	14,724,338	--
$ 5.00	14,724,338	--
$ 6.00	14,699,298	25,040
$ 7.00	14,473,853	250,485
$ 8.00	14,283,356	440,982
$ 9.00	14,135,204	589,134
$10.00	14,016,671	707,667
$11.00	13,919,689	804,649
$12.00	13,838,871	885,467
$13.00	13,770,486	953,852
$14.00	13,711,871	1,012,467
$15.00	13,661,071	1,063,267
$16.00	13,616,621	1,107,717

Changes in the PRG average price do not affect the number of shares, 629,508 in the aggregate, to be issued to the shareholders of the affiliated foreign operating companies.

Q: WHAT DO I NEED TO DO? (SEE PAGES 29-30)

A: After carefully reading and considering the information contained in this proxy statement, please respond by completing, signing, and dating your PRG proxy card and returning it, in the enclosed postage paid envelope, as soon as possible so that your PRG shares may be represented at PRG's special meeting.

Q: WHAT HAPPENS IF I DO NOT RETURN MY PRG PROXY CARD? (SEE PAGE 29)

A: The failure to return your PRG proxy card increases the risk that a quorum, which is a majority of the outstanding voting shares of PRG common stock, will not be obtained. If a quorum is not obtained at the special meeting or any continuation of the special meeting, PRG cannot issue the proposed shares and options and the nominated directors will not be elected. As a result, PRG would be unable to proceed with the proposed acquisitions.

Q: WHAT HAPPENS IF I RETURN A SIGNED PRG PROXY CARD BUT DO NOT INDICATE HOW TO VOTE MY PRG PROXY? (SEE PAGE 30)

A: If you do not include instructions on how to vote your properly signed and dated PRG proxy card, your PRG shares will be voted for approval of the proposed share and option issuances and the election of the nominated directors.

Q: MAY I VOTE IN PERSON AT THE PRG SPECIAL MEETING? (SEE PAGE 29)

A: You may attend PRG's special meeting and vote your PRG shares in person, rather than signing and returning your PRG proxy card. Only PRG shareholders of record as of the record date, December 11, 2001, or their proxies are eligible to vote in person.

Q: IF MY PRG SHARES ARE HELD IN "STREET NAME" BY MY BROKER, WILL MY BROKER VOTE MY PRG SHARES FOR ME? (SEE PAGE 29)

A: Your broker will not be able to vote your PRG shares without instructions from you. You should instruct your broker to vote your PRG shares by following the procedures provided by your broker. The failure to provide such voting instructions to your broker increases the risk that a quorum will not be obtained, without which the proposed share and option issuances will not be approved and the nominated directors will not be elected.

Q: CAN I CHANGE MY VOTE AFTER I HAVE DELIVERED MY PRG PROXY? (SEE PAGE 30)

A: Yes. You can change your vote at any time before your proxy is voted at PRG's special meeting. You can do this in one of three ways. First, you can revoke your proxy. Second, you can submit a new proxy. If you choose either of these two methods, you must submit your notice of revocation or your new proxy to the secretary of PRG so that it is received before your proxy is voted at PRG's special meeting. If your PRG shares are held in an account at a brokerage firm or bank, you should contact your brokerage firm or bank to change your vote. Third, you can attend the PRG special meeting and vote in person. Only PRG shareholders of record as of the record date or their proxies are eligible to vote in person. Your attendance alone will not revoke your proxy. If you have instructed a broker to vote your PRG shares, you must follow directions received from your broker to change those instructions.

Q: WHAT ARE THE MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PROPOSED ACQUISITIONS TO PRG? (SEE PAGE 41)

A: The proposed acquisition of the assets of HSA-Texas, and subsequent liquidation of HSA-Texas, are intended to qualify as a tax-free reorganization under Section 368(a)(1)(C) of the Internal Revenue Code of 1986, or the Code. PRG will not recognize taxable gain or loss as a result of the issuance of shares of PRG common stock to acquire the assets of HSA-Texas.

The proposed acquisitions of the affiliated foreign operating companies are intended to qualify as tax-free reorganizations under Section 368(a)(1)(B) of the Code. PRG will not recognize taxable gain or loss solely as a result of PRG's acquisition of the stock of the affiliated foreign operating companies for PRG common stock.

Q: WILL THE NAME OF PRG CHANGE FOLLOWING THE CLOSING OF THE PROPOSED ACQUISITIONS?

A: Yes. As soon as practicable following the closing, PRG will change its corporate name to "PRG-Schultz International, Inc."

Q: WHO CAN HELP ANSWER MY QUESTIONS?

A: If you have any questions about either the proposed acquisitions or how to submit your PRG proxy, or if you need additional copies of this proxy statement or the enclosed PRG proxy card or voting instructions, you should contact:

The Profit Recovery Group International, Inc.
2300 Windy Ridge Parkway, Suite 100 North
Atlanta, Georgia 30339-8426
Attention: Leslie H. Kratcoski
Phone Number: (770) 779-3900

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ADDITIONAL SUMMARY TERM SHEET INFORMATION

The following highlights additional information contained in this proxy statement but may not contain all of the information that is important to you. To understand the proposed acquisitions fully, you should read carefully this entire document and the other available information referred to in "Where You Can Find More Information" at page 117 of this proxy statement. The asset agreement is attached to this proxy statement as Annex A and the stock agreement is attached to this proxy statement as Annex B. You are encouraged to read these agreements, as they are the main legal documents governing the proposed acquisitions.

THE COMPANIES

THE PROFIT RECOVERY GROUP INTERNATIONAL, INC.
2300 WINDY RIDGE PARKWAY
SUITE 100 NORTH
ATLANTA, GEORGIA 30339-8426
(770) 779-3900

PRG is a leading provider of recovery audit, expense containment and knowledge application services to large and mid-size businesses having numerous payment transactions with many vendors. These businesses include, but are not limited to, the following:

- retailers such as discount, department, specialty, grocery and drug stores;
- 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.

PRG currently services approximately 2,500 clients in 34 different countries. PRG's continuing operations have one operating segment consisting of Accounts Payable Services that offers different types of recovery and cost containment services.

Recent Developments

Convertible Notes Offering

On November 26, 2001, PRG closed on a $95.0 million offering of its 4 3/4% convertible subordinated notes due 2006. PRG 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. PRG received net proceeds from the offering of approximately $121.4 million. The proceeds of the notes were used to pay down PRG's outstanding balance under its senior credit facility.

The notes are convertible into PRG 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. PRG 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 PRG common stock has exceeded $10.836 for at least twenty trading days within a period of thirty consecutive days ending on the trading date before the date of mailing of the optional redemption notice.

Discontinued Operations

In March 2001, PRG formalized a strategic realignment initiative designed to enhance PRG's financial position and clarify its investment and operating strategy by focusing on its core Accounts Payable Services business. Under this strategic realignment initiative, PRG 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, PRG and its advisors determined that PRG would be unlikely to sell all of these businesses as a whole to one buyer. As a result, during the last several months, PRG has been engaged in independent divestiture processes for each of these businesses. On October 30, 2001, PRG completed the sale of its Logistics Management Services segment for approximately $13.0 million. PRG received initial gross proceeds from the sale of approximately $10.0 million, and PRG 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, PRG, in consultation with its 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, PRG consummated the sale of its French Taxation Services business for approximately $48.3 million. As a result, the French Taxation Services business has been classified as a discontinued operation for accounting purposes, and all historical and pro forma financial information contained herein has been restated to remove this business from continuing operations. 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. See "Special Considerations -- Special Considerations Relating to PRG's Business Following the Proposed Acquisitions -- As a result of the sale of PRG's French Taxation Services operations, PRG will recognize a substantial and material net loss in the fourth quarter of 2001."

Amendment to Senior Credit Facility

On November 9, 2001, PRG entered into an amendment to its 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 increases interest rates and effectively limits PRG's borrowing capacity to approximately $50.0 million, after application of the net proceeds of the convertible note offering. It also provides for additional mandatory reductions of the outstanding 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. After application of approximately $24.2 million of the net proceeds from the sale of the French Taxation Services business, there will be no amounts outstanding under PRG's senior credit facility.

HOWARD SCHULTZ & ASSOCIATES INTERNATIONAL, INC. (SEE PAGES 76-81)

9241 LBJ FREEWAY, SUITE 100
DALLAS, TEXAS 75243
(972) 233-7564

Howard Schultz & Associates International, Inc., its subsidiaries and licensees are industry pioneers in providing recovery audit services. HSA-Texas audits accounts payable records, occupancy costs, vendor statements and direct to store delivery records to recover overpayments that are a result of missed credits, duplicated payments, overlooked allowances, incorrect invoices and other discrepancies.

HSA-Texas provides recovery audit services to large and mid-size businesses having numerous payment transactions with many vendors. These businesses include, but are not limited to retailers, manufacturers, wholesale distributors, technology companies and healthcare providers.

HSA-Texas has more than 1,000 audit associates working in most major U.S. cities and several international markets. HSA-Texas and its affiliated operating companies and licensees operate 25 regional offices in the United States, Australia, Belgium, Canada, France, Germany, Hong Kong, Italy, Mexico, the Philippines, Portugal, Singapore, Thailand, Taiwan, the Netherlands, Spain and the United Kingdom.

REASONS FOR THE PROPOSED ACQUISITIONS (SEE PAGES 32-34)

PRG agreed to engage in the proposed acquisitions because of the synergies and market strength that will result from combining the businesses. The completion of the proposed acquisitions will give the combined company an enhanced global presence and the opportunity to gain market share.

In addition, the board of directors of PRG approved the proposed acquisitions based on a number of factors, including the belief that the proposed acquisitions may allow the combined company to:

- accelerate innovation and audit effectiveness and thereby better meet customer needs for next-generation audit recovery services;

- accelerate expansion into existing and new recovery audit markets;

- be more competitive with other leading audit recovery companies, including the current and former consulting arms of the Big 5 accounting firms;

- add to their intellectual property portfolio in the field of audit recovery processes; and

- add qualified auditors and other employees from the HSA-Texas workforce to PRG, enhancing its expertise in audit recovery technology.

RECOMMENDATION OF THE BOARD OF DIRECTORS (SEE PAGE 31)

The PRG board of directors has voted unanimously to nominate the proposed directors, conditioned on the closing of the asset acquisition, and to approve the terms and provisions of the asset agreement and the stock agreement and the proposed issuance of shares and options, and believes that they are fair to PRG's shareholders and in their best interest. The PRG board of directors recommends that PRG's shareholders vote for the approval of the proposed share and option issuances and in favor of the nominated directors.

OPINION OF FINANCIAL ADVISOR TO PRG (SEE PAGES 34-39)

In deciding to approve the proposed acquisitions, PRG's board of directors considered the oral opinion of its financial advisor, Merrill Lynch, Pierce, Fenner & Smith Incorporated, which opinion was subsequently confirmed in a written opinion, to the effect that, as of the date of the opinion, and subject to and based on the considerations referred to in the opinion, the consideration to be paid by PRG in connection with the proposed acquisitions was fair, from a financial point of view, to PRG. The opinion, dated as of August 3, 2001, is attached as Annex C to this proxy statement. PRG urges its shareholders to read the opinion of Merrill Lynch in its entirety.

SHAREHOLDER APPROVAL (SEE PAGES 29-30)

As of the record date, PRG directors and executive officers and their affiliates owned in the aggregate approximately 16.71% of its outstanding shares of common stock, which shares PRG expects to be voted for approval of the proposed share and option issuances and in favor of the nominated directors. The affirmative vote of a majority of the outstanding shares of PRG common stock entitled to vote and present at the special meeting is required to approve the proposed share and option issuances and to elect the nominated directors. As of the record date, PRG directors and executive officers and their affiliates did not own, beneficially or of record, any shares of HSA-Texas common stock. HSA-Texas has informed PRG that, as of the record date, directors and executive officers of HSA-Texas owned, beneficially or of record, 3,100 shares of PRG common stock.

THE SPECIAL MEETING (SEE PAGE 29)

The special meeting of the shareholders of PRG will be held on January 24, 2002, at 9:00 a.m., local time, at PRG's offices, 2300 Windy Ridge Parkway, Atlanta, Georgia 30339-8426.

ACCOUNTING TREATMENT (SEE PAGE 41)

PRG will account for the proposed acquisitions under the purchase method of accounting.

REGULATORY APPROVALS (SEE PAGE 40)

The proposed acquisitions are subject to review by the Department of Justice and the Federal Trade Commission, or FTC, to determine whether they comply with applicable antitrust laws. Under the provisions of the HSR Act, the proposed acquisitions could not be completed until the waiting period requirement of the HSR Act had been satisfied. On August 3, 2001, PRG and HSA-Texas filed required documents with the FTC and requested early termination of the waiting period, which was granted effective as of August 10, 2001.

DISSENTERS' RIGHTS (SEE PAGE 41)

PRG's shareholders are not required to approve the proposed acquisitions under Georgia law, but rather are required by Nasdaq rules to approve the issuance of shares, including shares subject to options, that are proposed to be issued in connection with the proposed acquisitions. Georgia corporate law, which governs PRG as a Georgia corporation, does not afford dissenters' or appraisal rights in connection with transactions such as the proposed acquisitions to holders of shares that are quoted on The Nasdaq National Market, or Nasdaq, as are PRG's shares. Therefore, PRG shareholders have no dissenters' or appraisal rights with respect to the proposed acquisitions.

LIMITATION ON CONSIDERING OTHER ACQUISITION PROPOSALS (SEE PAGES 54-55)

PRG and HSA-Texas have agreed not to consider an alternative acquisition proposal or other similar transaction with another party while the proposed acquisitions are pending; provided, however, that PRG may consider an alternative acquisition proposal if:

- a third party has made an unsolicited, bona fide written proposal to PRG's board of directors; and

- the PRG board determines in good faith that consideration of the alternative acquisition proposal is necessary for the board to comply with its fiduciary duties to PRG's shareholders; and

- the board determines that the alternative acquisition proposal will, if completed, be superior to the proposed acquisitions.

PRG may also consider an alternative acquisition proposal if a third party agrees to acquire HSA-Texas, including the four affiliated foreign operating companies, concurrently as if they were a part of PRG.

LENDER APPROVALS; REPLACEMENT SENIOR CREDIT FACILITY (SEE PAGES 40-41)

PRG has held extensive discussions with the nine members of its 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 PRG's current banking syndicate, PRG believes that it 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. PRG is therefore negotiating a new senior credit facility, the proceeds of which PRG will utilize to repay certain indebtedness of HSA-Texas and fund various merger and integration costs related to the proposed acquisitions. PRG expects 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 PRG's assets. Aggregate outstanding borrowing may be limited to a percentage of eligible receivables. PRG 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 PRG than those of its current senior credit facility, is in place as of or prior to the closing of the proposed acquisitions.

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CONDITIONS TO THE ASSET AGREEMENT (SEE PAGES 53-54)

The obligations of PRG and HSA-Texas to complete the asset acquisition are subject to the satisfaction of a number of conditions in addition to the approval by a majority of PRG's shareholders, including:

- the acquisition of substantially all of the outstanding stock of HSA-Singapore and all of the outstanding stock of HSA-Asia, HSA-Australia and HSA-Canada pursuant to the stock agreement prior to or concurrently with the closing of the asset agreement;

- the approval for listing on The Nasdaq National Market of the shares of PRG common stock to be issued in the proposed acquisitions; and

- PRG's obtaining either the consent of its principal lenders to the proposed acquisitions or a new or amended senior credit facility that does not prohibit the proposed transactions.

TERMINATION OF THE ASSET AGREEMENT (SEE PAGES 55-56)

Either PRG or HSA-Texas is entitled to terminate the asset agreement under specified conditions, including:

- if the proposed acquisitions have not been completed by March 31, 2002;

- if PRG has not received lender consent or obtained a new or amended credit facility on or before March 31, 2002 that does not prohibit the proposed transactions;

- if a court issues a final and nonappealable order that prohibits the proposed acquisitions; or

- if PRG shareholders or the holders of HSA-Texas voting common stock do not approve the proposed acquisitions.

In addition, PRG and HSA-Texas can terminate the asset agreement by mutual written consent, and HSA-Texas can terminate the asset agreement if a "triggering event" occurs, such as the approval by the board of directors of PRG of an alternative acquisition proposal which does not include the concurrent acquisition of HSA-Texas and the four affiliated foreign operating companies.

TERMINATION FEES (SEE PAGES 57-58)

If the asset agreement is terminated after PRG mails this proxy statement to its shareholders because:

- the PRG board of directors approves or recommends to its shareholders any alternative acquisition proposal which does not include the concurrent acquisition of HSA-Texas and the four affiliated foreign operating companies;

- the PRG board withdraws its recommendation or amends it in a manner adverse to HSA-Texas; or

- a tender or exchange offer is commenced and PRG does not recommend rejection of the offer;

PRG will be obligated to pay HSA-Texas a fee in the amount of $2.0 million, plus HSA-Texas' expenses incurred in connection with the proposed acquisitions, by wire transfer of immediately available funds.

In addition, if the asset agreement is terminated after PRG mails this proxy statement to its shareholders because:

- the HSA-Texas special meeting to approve the asset acquisition is not held prior to March 31, 2002;

- HSA-Texas or any affiliated foreign operating company elects not to participate in specified alternative acquisitions proposed by PRG; or

- HSA-Texas or shareholders of the affiliated foreign operating companies have breached their representations and warranties or failed to perform their covenants under the asset agreement or the stock agreement, as applicable,

HSA-Texas will be required to promptly pay PRG an amount equal to all of PRG's expenses incurred in connection with the proposed acquisitions by wire transfer of immediately available funds. See "Material Terms of the Asset Agreement -- Termination Fees" for a detailed discussion of termination fees.

EXPENSES (SEE PAGE 58)

Except as described above, the asset agreement provides that all expenses incurred by each respective party shall be borne by that party. However, if the proposed acquisitions are completed, PRG will pay any previously unpaid reasonable and necessary fees and expenses of attorneys and accountants of HSA-Texas.

COMPARATIVE PER SHARE MARKET PRICE

PRG common stock is listed on The Nasdaq National Market under the symbol "PRGX." On July 25, 2001, the last full trading day before the public announcement of the proposed acquisitions, the last sale price per PRG common share on Nasdaq was $10.51. On December 18, 2001, the most recent practicable date prior to the filing of this proxy statement, the last sale price per PRG common share on Nasdaq was $8.25. HSA-Texas' and its affiliates' common stock is not publicly traded.

UNAUDITED COMPARATIVE PER SHARE DATA

The following summary presents per share information for PRG, HSA-Texas, HSA-Singapore, HSA-Asia, HSA-Australia and HSA-Canada on an historical, pro forma combined and pro forma diluted equivalent basis for the periods and as of the dates indicated below. The pro forma information gives effect to the proposed acquisitions using the purchase method of accounting. This information should be read in conjunction with HSA-Texas' historical financial statements and related notes and the pro forma combined financial data included elsewhere or incorporated by reference in this proxy statement. The pro forma information should not be relied upon as being indicative of the historical results that the companies would have had if the proposed acquisitions had occurred before such periods or the future results that the companies will experience after the proposed acquisitions.

The PRG pro forma combined income (loss) per diluted share has been computed based on the diluted number of outstanding shares of PRG, adjusted for the PRG common stock to be issued in the proposed acquisitions of HSA-Texas, HSA-Singapore, HSA-Asia, HSA-Australia, and HSA-Canada. The pro forma equivalent income (loss) from continuing operations per share of the acquired companies is based on the pro forma income from continuing operations per fully diluted common share of PRG multiplied by the estimated number of shares of PRG common stock to which each holder of one share of each of the acquired companies' common stock will be entitled upon completion of the proposed acquisitions, as follows:

HSA-Texas(1)...	1.64 shares
HSA-Singapore(2)...	15.35 shares
HSA-Asia(2)..	752.34 shares
HSA-Australia(2)...	245.66 shares
HSA-Canada(2)..	307.08 shares

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(1) Assumes that at closing HSA-Texas will have 2,307,482 outstanding voting shares of common stock, 6,435,383 outstanding shares of non-voting common stock, 1,133,423 shares subject to outstanding options and 64,569 outstanding SARs, and that the PRG "average price" is $7.834.

(2) Assumes that the number of outstanding shares at closing will be 102 shares of HSA-Singapore common stock, 100 shares of HSA-Asia common stock, consisting of 2 outstanding "A" shares of common stock and 98 outstanding "B" shares of common stock, 1,000 shares of HSA-Australia common stock and 1,000 shares of HSA-Canada common stock.

PRG, HSA-Texas and the affiliated foreign operating companies historically have not paid cash dividends on common shares. PRG intends to retain all of its earnings for the future operations and growth of its business and does not intend to pay cash dividends in the foreseeable future. PRG is prohibited from paying dividends by its credit facility.

The PRG pro forma combined book value per share is based upon the pro forma combined equity of PRG, divided by the pro forma number of outstanding shares of PRG common stock as of September 30, 2001. The pro forma equivalent book value per share of the acquired companies is based on the pro forma book value per share of PRG multiplied by the estimated number of shares of PRG common stock to which each holder of one share of each acquired company's common stock will be entitled upon completion of the proposed acquisitions, as listed above.

The pro forma combined and pro forma equivalent amounts may vary, based, with respect to the HSA-Texas amounts, upon the closing price of PRG common stock on the effective date and the other assumptions set forth above in footnotes 1 and 2.

	YEAR ENDED DECEMBER 31, 2000	NINE MONTHS END SEPTEMBER 30, 2
Statement of Operations Data:		
Income (loss) from continuing operations per weighted average diluted share:		
HISTORICAL		
PRG	$ 0.11	$ 0.09
HSA-Texas	(0.38)	0.19
HSA-Singapore	(18,008.40)	(753.36)
HSA-Asia	35.49	(685.26)
HSA-Australia	(320.96)	(242.62)
HSA-Canada	(170.13)	113.96
PRO FORMA COMBINED		
PRG	0.05	0.10
PRO FORMA EQUIVALENT		
HSA-Texas	.08	.16
HSA-Singapore	0.77	1.54
HSA-Asia	37.62	75.23
HSA-Australia	12.28	24.57
HSA-Canada	15.35	30.71

	AS OF SEPTEMBER 30, 2001
Balance Sheet Data:	
Net Book Value Per Share:	
HISTORICAL	
PRG	$ 4.59
HSA-Texas	1.15
HSA-Singapore	(2,347.15)
HSA-Asia	(17,413.35)
HSA-Australia	(277.75)
HSA-Canada	(418.67)
PRO FORMA COMBINED	
PRG	5.25
PRO FORMA EQUIVALENT	
HSA-Texas	8.61
HSA-Singapore	80.59

HSA-Asia	3,949.79
HSA-Australia	1,289.72
HSA-Canada	1,612.17

The pro forma data above assume that the shares of PRG common stock received by HSA-Texas will be available for distribution to the HSA-Texas shareholders, and not subject to claims of creditors of HSA-Texas. See "Material Terms of the Asset Agreement -- Retained Liabilities" for a description of liabilities to be retained by HSA-Texas after the proposed acquisitions.

HISTORICAL MARKET PRICES OF PRG COMMON STOCK

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 the 3-for-2 stock split effected by a stock dividend paid on August 17, 1999. PRG has not paid cash dividends on its common stock since its initial public offering on March 26, 1996 and does not intend to pay cash dividends in the foreseeable future. Moreover, restrictive covenants included in PRG's bank credit facility prohibit payment of cash dividends.

	COMMON STOCK PRICES	
	HIGH	LOW
YEAR ENDED DECEMBER 31, 1999:		
First Quarter	$26.67	$18.75
Second Quarter	32.25	22.42
Third Quarter	45.50	24.83
Fourth Quarter	47.50	23.00
YEAR ENDED DECEMBER 31, 2000:		
First Quarter	$34.38	$14.75
Second Quarter	20.56	13.00
Third Quarter	18.81	7.88
Fourth Quarter	9.91	3.06
YEAR ENDED DECEMBER 31, 2001:		
First Quarter	$ 7.67	$ 4.81
Second Quarter	14.00	4.88
Third Quarter	16.10	9.18
Fourth Quarter (through December 18, 2001)	9.80	4.20

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

PRG SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth selected consolidated financial data for PRG as of and for the five years ended December 31, 2000 and as of September 30, 2001 and for the nine months ended September 30, 2001 and 2000. Such historical consolidated financial data as of and for the five years ended December 31, 2000 have been derived from PRG's Consolidated Financial Statements and Notes thereto. The Consolidated Balance Sheets as of December 31, 2000 and 1999, and the related Consolidated Statements of Operations, Shareholders' Equity and Cash Flows for each of the years in the three-year period ended December 31, 2000 and the independent auditors' report thereon, which in each such year is based partially upon the report of other auditors and refers to changes in accounting for revenue recognition in 2000 and 1999, are incorporated by reference in this proxy statement. Such historical consolidated financial data as of September 30, 2001 and for the nine months ended September 30, 2001 and 2000 are derived from PRG's unaudited Consolidated Financial Statements, and include, in the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the data for the periods. In March 2001, PRG initiated a strategic realignment designed to enhance PRG's financial position and clarify its investment and operating strategy by focusing primarily on its core Accounts Payable business. Under this strategic realignment initiative, PRG intends to divest the following non-core businesses: Meridian VAT Reclaim ("Meridian") within the former Taxation Service segment, the Logistics Management Services segment, the Communications Services segment and the Ship and Debit ("Ship & Debit") division within the Accounts Payable Services segment. Selected Consolidated Financial Data for PRG has been restated to reflect Meridian, Logistics Management Services, Communications Services, and Ship & Debit as discontinued operations for all periods presented. In addition, in December 2001, the executive committee of PRG's board of directors authorized the sale of PRG's French Taxation Services business. As a result of the foregoing, the French Taxation Services business has been classified as a discontinued operation and all historical and pro forma financial information contained herein has been restated to remove this business from continuing operations. Selected Consolidated Financial data for PRG was retroactively restated, as required under accounting principles generally accepted in the United States of America, to include the accounts of Meridian and PRS International, Ltd. which were acquired in August 1999 and accounted for under the pooling-of-interests method. Further, PRG made the decision in the second quarter of 1999 to change its method of revenue recognition retroactively effective to January 1, 1999 to recognize revenue on all of its then existing operations when it invoices clients for its fees. PRG had previously recognized revenue from services provided to its historical client base (consisting primarily of retailers, wholesale distributors and governmental entities) at the time overpayment claims were presented to and approved by its clients. In accordance with the applicable requirements of accounting principles generally accepted in the United States of America, consolidated financial statements for periods prior to 1999 have not been restated. Due to accounting changes, certain financial statement amounts related to continuing operations for 1999 will not be directly comparable to corresponding amounts for 1998 and prior years, and certain financial statement amounts related to discontinued operations for 2000 will not be directly comparable to corresponding amounts for 1999 and prior years. The data presented below should be read in conjunction with the Consolidated Financial Statements and Notes thereto incorporated in this proxy statement by reference to PRG's Form 8-K filed on December 17, 2001.

	NINE MONTHS ENDED SEPTEMBER 30,		YEARS ENDED DECEM		
	2001	2000	2000(13)	1999(2)(10)	1998(1)(3
			(IN THOUSANDS, EXCEPT PER SHARE DAT		
STATEMENTS OF OPERATIONS DATA:					
Revenues..............................	$186,299	$190,287	$255,110	$246,378	$180,903
Cost of revenues......................	100,041	101,736	139,430	132,115	97,268
Selling, general and administrative expense(5)..........................	74,521	66,867	100,435	78,757	60,900
Operating income....................	11,737	21,684	15,245	35,506	22,735
Interest (expense), net...............	(3,900)	(3,762)	(5,270	(2,234)	(403
Earnings from continuing operations before income taxes, discontinued operations and cumulative effect of accounting change.................	7,837	17,922	9,975	33,272	22,332
Income taxes(6).......................	3,448	7,886	4,389	13,642	8,263
Earnings from continuing operations before discontinued operations and cumulative effect of accounting change...........................	4,389	10,036	5,586	19,630	14,069
Discontinued operations:					
Earnings (loss) from discontinued operations, net of income taxes....	(1,303)	(22,755)	(44,714)	7,806	565
Loss on disposal from discontinued operations including operating results from phase out period, net of income taxes(11)...............	(31,000)	--	--	--	--
Earnings (loss) from discontinued operations.......................	(32,303)	(22,755)	(44,714)	7,806	565
Earnings (loss) before cumulative effect of accounting change........	(27,914)	(12,719)	(39,128)	27,436	14,634
Cumulative effect of accounting change..............................	--	--	--	(29,195)	--
Net earnings (loss)...........	$(27,914)	$(12,719)	$(39,128	$ (1,759)	$ 14,634
Cash dividends per share(12)..........	$ --	$ --	$ --	$ 0.01	$ 0.01
Basic earnings (loss) per share:					
Earnings from continuing operations before discontinued operations and cumulative effect of accounting change...........................	$ 0.09	$ 0.20	$ 0.11	$ 0.41	$ 0.36
Discontinued operations.............	(0.67)	(0.46)	(0.91)	0.16	0.01
Cumulative effect of accounting change...........................	--	--	--	(0.61)	--
Net earnings (loss)...........	$ (0.58)	$ (0.26)	$ (0.80	$ (0.04)	$ 0.37
Diluted earnings (loss) per share:					
Earnings from continuing operations before discontinued operations and cumulative effect of accounting					

change............................	$ 0.09	$ 0.20	$ 0.11	$ 0.40	$ 0.35
Discontinued operations.............	(0.66)	(0.45)	(0.90)	0.15	0.01
Cumulative effect of accounting change............................	--	--	--	(0.59)	--
Net earnings (loss)............	$ (0.57)	$ (0.25)	$ (0.79)	$ (0.04)	$ 0.36

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THE PROFIT RECOVERY GROUP INTERNATIONAL, INC.

	SEPTEMBER 30, 2001	DECEMBER 31, 2000(13)	1999(2)(7)	1998(1)(3)(8)
		(IN THOUSANDS)		
BALANCE SHEET DATA:				
Cash and cash equivalents............	$ 6,700	$16,127	$ 14,150	$ 20,016
Working capital.....................	137,059	208,308	177,072	85,592
Total assets........................	408,704	453,232	460,757	349,430
Long-term debt, excluding current installments and loans from shareholders......................	100,125	153,361	92,811	111,132
Total shareholders' equity...........	223,925	247,529	294,970	143,828

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(1) Selected consolidated financial data for PRG as of and for the three years ending December 31, 1998, as previously reported, have been retroactively restated, as required under accounting principles generally accepted in the United States of America, to include the accounts of Meridian VAT Corporation Limited and PRS International, Ltd. which were each acquired in August 1999 and accounted for under the pooling-of-interests method. See Notes 2 and 10 of Notes to Consolidated Financial Statements incorporated in this proxy statement by reference to PRG's Form 8-K filed on December 17, 2001.

(2) During 1999, PRG completed six acquisitions accounted for as purchases consisting of Payment Technologies, Inc. (April), Invoice and Tariff Management Group, LLC (June), AP SA (October), Freight Rate Services, Inc. (December), Integrated Systems Consultants, Inc. (December) and minority interests in three subsidiaries of Meridian VAT Corporation Limited (December). See Notes 2 and 10 of Notes to Consolidated Financial Statements incorporated in this proxy statement by reference to PRG's Form 8-K filed on December 17, 2001.

(3) During 1998, PRG completed eight acquisitions accounted for as purchases consisting of Precision Data Link (March), The Medallion Group (June), Novexel S.A. (July), Loder, Drew & Associates, Inc. (August), Cost Recovery Professionals Pty Ltd (September), Robert Beck & Associates, Inc. and related businesses (October), IP Strategies SA (November) and Industrial Traffic Consultants, Inc. (December). See Notes 2 and 10 of Notes to

Consolidated Financial Statements incorporated in this proxy statement by reference to PRG's Form 8-K filed on December 17, 2001.

(4) During 1997, PRG completed four acquisitions accounted for as purchases consisting of Accounts Payable Recovery Services, Inc. (February), The Hale Group (May), 98.4% of Financiere Alma, S.A. and its subsidiaries (October) and TradeCheck, LLC (November), and one acquisition accounted for as a pooling of interests, Shaps Group, Inc. (January). See Notes 2 and 10 of Notes to Consolidated Financial Statements incorporated in this proxy statement by reference to PRG's Form 8-K filed on December 17, 2001.

(5) Includes merger-related charges relating to a business acquired under the pooling-of-interests accounting method and certain restructuring charges. See Note 16 of Notes to Consolidated Financial Statements incorporated in this proxy statement by reference to PRG's Form 8-K filed on December 17, 2001.

(6) In connection with PRG's March 1996 initial public offering, all domestic entities became C corporations. As a result of these conversions to C corporations, PRG incurred a charge to operations of $3.7 million in 1996 for cumulative deferred income taxes. PRG's 1996 provision for income taxes of $7.8 million consists of the above-mentioned $3.7 million charge for cumulative deferred income taxes combined with $4.1 million in tax provisions for the three quarters subsequent to the March 26, 1996 initial public offering.

(7) Balance Sheet Data as of December 31, 1999 reflect the receipt of $118.5 million in net proceeds from PRG's January 1999 follow-on public offering. See Note 8 of Notes to Consolidated Financial Statements incorporated in this proxy statement by reference to PRG's Form 8-K filed on December 17, 2001.

(8) Balance Sheet Data as of December 31, 1998 reflect the receipt of $81.2 million in net proceeds from PRG's March 1998 follow-on public offering. See Note 8 of Notes to Consolidated Financial

Statements incorporated in this proxy statement by reference to PRG's Form 8-K filed on December 17, 2001.

(9) Balance Sheet Data as of December 31, 1996 reflect the receipt of $34.8 million in net proceeds from PRG's March 1996 initial public offering together with the partial use of such proceeds to repay substantially all debt obligations other than certain convertible debentures which were converted to equity immediately prior to the offering.

(10) In 1999, PRG changed its method of accounting for revenue recognition. See Notes 2(b) and 1(d) of Notes to Consolidated Financial Statements incorporated in this proxy statement by reference to PRG's Form 8-K filed on December 17, 2001.

(11) In December 2001, PRG authorized the sale of its French Taxation Services business. As a result, PRG will recognize a loss on disposal of the French Taxation Services business of approximately $54.0 million in the fourth quarter of 2001.

(12) Cash dividends per share represent distributions to shareholders of PRG prior to PRG's initial public offering and distributions to the shareholders of PRS International, Ltd.

(13) During 2000, PRG completed two acquisitions accounted for as purchases consisting of The Right Answer, Inc. (March) and TSL Services, Inc. (June). See Note 2 of Notes to Consolidated Financial Statements incorporated in this proxy statement by reference to PRG's Form 8-K filed on December 17, 2001.

HSA-TEXAS SELECTED COMBINED FINANCIAL INFORMATION

The following selected historical combined financial data should be read in conjunction with HSA-Texas' combined financial statements contained in this proxy statement. The statement of operations data for fiscal years 1998 through 2000 and the balance sheet data as of December 31, 2000 and 1999 have been derived from HSA-Texas' audited combined financial statements, and the selected combined financial data as of December 31, 1998 and September 30, 2001 and for the nine months ended September 30, 2001 and 2000 have been derived from HSA-Texas' unaudited combined financial statements and include, in the opinion of management of HSA-Texas, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the data for these periods. Certain reclassifications have been made to the 2000, 1999 and 1998 amounts to conform to the presentation in 2001. The combined financial data included herein may not necessarily be indicative of the financial position or results of operations of HSA-Texas in the future. Selected financial data as of, and for the years ended, December 31, 1996 and 1997, have not been presented, due to HSA-Texas' inability to obtain from its former licensees a significant portion of the necessary financial information required to prepare financial statements for those years in conformity with accounting principles generally accepted in the United States of America. In addition, HSA-Texas does not believe that such selected financial data would be material to evaluation of the information regarding HSA-Texas contained in this proxy statement because it relates to periods in which the majority of HSA-Texas' operations were conducted by independently owned licensees. See "Business of HSA-Texas."

	NINE MONTHS ENDED		YEARS ENDED DECEMBER		
	SEPTEMBER 30, 2001	SEPTEMBER 30, 2000	2000	1999	
	(IN THOUSANDS)				
STATEMENTS OF OPERATIONS DATA:					
Revenues	$100,761	$102,542	$138,708	$133,789	$
Cost of revenues	65,651	67,364	91,222	94,071	
Selling, general and administrative expenses	35,564	34,396	48,324	37,760	
Operating income (loss)	(454)	782	(838)	1,958	
Interest income (expense), net	(2,277)	(2,240)	(2,938)	(2,243)	
Settlement of litigation	3,650	--	--	--	
Other income (expense), net	10	(72)	47	(33)	
Income (loss) before income taxes	929	(1,530)	(3,729)	(318)	
Foreign tax benefit(1)	512	--	--	--	

Net income (loss)	$ 1,441	$ (1,530)	$ (3,729)	$ (318)	$

	SEPTEMBER 30, 2001	DECEMBER 31, 2000	1999	1998
	(IN THOUSANDS)			
BALANCE SHEET DATA:				
Cash and cash equivalents	$ 6,071	$ 2,179	$ 3,910	$ 1,9
Working capital (deficit)	48	(3,669)	997	9,2
Total assets	69,893	60,868	48,956	45,3
Long-term debt, excluding current installments	33,763	30,074	23,125	27,0
Total stockholders' equity	7,396	186	5,701	5,6

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(1) HSA-Texas has been a subchapter S corporation for all periods presented and therefore has no income tax expense other than a foreign tax benefit item in 2001.

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THE PROFIT RECOVERY GROUP INTERNATIONAL, INC.

SUMMARY SELECTED UNAUDITED PRO FORMA
COMBINED FINANCIAL INFORMATION

The following summary selected unaudited pro forma combined financial information for PRG has been derived from the historical consolidated financial statements contained in this proxy statement which give effect to the acquisition of the HSA-Texas assets and substantially all of the outstanding stock of HSA-Singapore and all of the outstanding stock of HSA-Asia, HSA-Australia and HSA-Canada, under purchase accounting, and should be read in conjunction with the unaudited pro forma combined financial statements and the related notes contained herein. For pro forma purposes, PRG's unaudited pro forma combined statements of operations for the nine months ended September 30, 2001 and the year ended December 31, 2000 are presented as if the purchase had occurred as of January 1, 2000, and PRG's unaudited pro forma combined balance sheet as of September 30, 2001 is presented as if the purchase had occurred as of that date.

The summary selected unaudited pro forma combined financial information should be read in conjunction with PRG's unaudited consolidated financial statements and related notes included in PRG's Form 8-K filed on December 17, 2001 and the audited consolidated financial statements and related notes in PRG's Form 8-K filed on December 17, 2001, which are incorporated by reference herein. The pro forma information is based on estimates and assumptions and may not necessarily be indicative of what PRG's results of operations or financial position would have been had the proposed acquisitions been effected as of and for the periods presented, nor is such information necessarily indicative of PRG's results of operations or financial position for any future period or date.

	YEAR ENDED DECEMBER 31, 2000	NINE MONTHS ENDED SEPTEMBER 30 2001
	(IN THOUSANDS, EXCEPT PER SHARE DAT	
Revenues	$393,818	$287,060
Cost of revenues	230,652	165,692
Selling, general and administrative expenses	147,315	107,421
Operating income	15,851	13,947
Interest (expense), net	(7,964)	(5,658)
Settlement of litigation income	--	3,650
Earnings from continuing operations before income taxes	7,887	11,939
Income taxes	4,338	5,492
Earnings from continuing operations	$ 3,549	$ 6,447
Basic earnings per share -- earnings from continuing operations	$ 0.06	$ 0.10
Diluted earnings per share -- earnings from continuing operations	$ 0.05	$ 0.10
Shares used for basic per share calculation	63,812	63,123
Shares used for diluted per share calculation	65,727	64,596

	SEPTEMBER 30, 2001
BALANCE SHEET DATA:	
Cash and cash equivalents	$ 5,421
Working capital	8,112
Long-term debt, excluding current installments	79,092
Total shareholders' equity	334,832

SPECIAL CONSIDERATIONS

You should consider the following together with the other information included or incorporated by reference in this proxy statement.

SPECIAL CONSIDERATIONS RELATING TO THE PROPOSED ACQUISITIONS

IF PRG CANNOT OBTAIN A REPLACEMENT SENIOR CREDIT FACILITY, IT WILL BE

UNABLE TO COMPLETE THE PROPOSED ACQUISITIONS.

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

COMPLETION OF THE PROPOSED ACQUISITIONS WILL RESULT IN SUBSTANTIAL DILUTION TO SHAREHOLDINGS OF CURRENT PRG SHAREHOLDERS.

As of December 11, 2001, PRG had outstanding 48,784,120 shares of its common stock. If the proposed acquisitions are completed and PRG issues the maximum aggregate consideration of approximately 15,353,846 shares of PRG common stock in exchange for substantially all of the assets of HSA-Texas and substantially all of the outstanding stock of the four affiliated foreign operating companies, immediately following the proposed acquisitions affiliates of HSA-Texas will own approximately 23.4% of PRG's outstanding common stock, and the ownership of current PRG shareholders will be reduced to approximately 76.6%.

COMPLETION OF THE PROPOSED ACQUISITIONS COULD RESULT IN MATERIAL DILUTION TO PRG'S EARNINGS PER SHARE.

PRG's unaudited pro forma combined financial statements contained in this proxy statement, which give effect to the proposed acquisitions as if they had closed on January 1, 2000, show a reduction of $.06 per share in PRG's pro forma combined diluted earnings per share from continuing operations for the year ended December 31, 2000 as compared to its historical audited results for the same period. PRG's 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 PRG's future earnings per share will be materially diluted as a result of the completion of the proposed acquisitions. If the proposed acquisitions have a material negative impact on PRG's earnings per share, the trading price of PRG's common stock may be materially adversely affected.

IF THE ASSET AGREEMENT IS TERMINATED AFTER PRG MAILS THIS PROXY STATEMENT, PRG WILL INCUR SIGNIFICANT COSTS.

If the asset agreement is terminated after PRG mails this proxy statement to its shareholders because:

- PRG is unable to obtain the approval of its shareholders;

- PRG materially breaches its representations and warranties or fails to perform its 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

- PRG has not held a special meeting of its shareholders by March 31, 2002;

then PRG 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 PRG mails this proxy statement to its shareholders because:

- the PRG board of directors or any committee thereof approves or recommends to its 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 PRG at the completion of such alternative acquisition proposal; or

- the PRG 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 PRG board's recommendations of the proposed acquisitions; or

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

then PRG 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, PRG 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.

THE PROPOSED ACQUISITIONS ARE ANTICIPATED TO RESULT IN LOWER COMBINED REVENUES FROM CLIENTS WITH RESPECT TO WHICH PRG AND HSA-TEXAS TOGETHER HAVE HAD THE FIRST AND SECOND AUDIT POSITIONS.

Some of PRG's 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 PRG and HSA-Texas now perform both the first and second recovery audit services, it is possible that the client will, upon PRG's acquisition of HSA-Texas, retain another company for the first or second audit position in place of them. PRG estimates that there are 38 clients with respect to which PRG and HSA-Texas together have had the first and second recovery audit positions. These clients represented approximately 37% of PRG's total annualized revenues from its current client base and approximately 50% of the total annualized revenues of HSA-Texas with respect to its current client base. 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.

THE VALUE OF SHARES OF PRG COMMON STOCK RECEIVABLE IN THE PROPOSED ACQUISITIONS IS UNCERTAIN.

Other than adjustments in the asset agreement for the "in the money" value of outstanding options and SARs, neither the asset agreement nor the stock agreement provides for any adjustments in the number of shares of PRG common stock deliverable to HSA-Texas or the shareholders of the affiliated foreign operating companies as a result of fluctuations in the price of PRG common stock.

Therefore, other than as discussed above, if the market value of PRG common stock changes significantly, there will be no change, either upward or downward, in the aggregate number of shares of PRG common stock to be issued to HSA-Texas or the shareholders of the foreign operating companies. Accordingly, the effect of any such significant upward change in the stock price of PRG common stock will result in PRG paying more for the assets of HSA-Texas and the stock of the affiliated foreign operating companies than is presently contemplated. You should obtain recent market quotations for PRG common stock in order to assess accurately the market value of the PRG shares that will be issued in exchange for the HSA-Texas assets and the stock of the affiliated foreign operating companies. PRG cannot predict or give any assurances as to the market price of PRG common stock before or after the closing of the proposed acquisitions. Recently, the stock market and PRG's stock price have experienced extreme price and volume

fluctuations. These market fluctuations have materially affected the market price of PRG common stock and may materially affect the market price of PRG common stock in the future.

FAILURE TO HIRE AND RETAIN HSA-TEXAS' AUDITORS AND OTHER CRITICAL HSA-TEXAS PERSONNEL COULD DIMINISH THE BENEFITS OF THE PROPOSED ACQUISITIONS TO PRG.

The successful integration of the HSA-Texas business into PRG's current business operations will depend in large part on PRG's ability to hire and retain HSA-Texas' auditors and other personnel critical to the business and operations of HSA-Texas. PRG 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 PRG and its shareholders. In addition, any auditors not retained by PRG could compete with the combined company, particularly in Europe, and could cause existing HSA-Texas clients to cease doing business with the combined company or to require more client favorable terms to retain their business. Also, if PRG 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 PRG is successful in implementing the revised compensation plan, some HSA-Texas auditors may elect not to work for PRG if their compensation is reduced.

IF PRG IS NOT SUCCESSFUL IN INTEGRATING THE BUSINESS OF HSA-TEXAS AND ITS AFFILIATED FOREIGN OPERATING COMPANIES, PRG'S OPERATIONS MAY BE ADVERSELY AFFECTED.

It is not certain that PRG and the business of HSA-Texas and its affiliated foreign operating companies can be successfully integrated in a timely manner or at all or that any of the anticipated benefits will be realized. The challenges involved in this integration include the following:

- retaining and integrating management and other key personnel of each company;
- combining the corporate cultures of PRG and HSA-Texas;
- combining service offerings effectively and quickly;
- transitioning HSA-Texas' auditors to PRG's 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.

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

This integration may be difficult and unpredictable because PRG's 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 PRG cannot successfully integrate the HSA-Texas assets with its operations, PRG may not realize the expected benefits of the proposed acquisitions.

IF PRG IS NOT SUCCESSFUL IN INTEGRATING THE BUSINESS OPERATIONS OF HSA-TEXAS IN THE UNITED KINGDOM, PRG'S 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. PRG's ability to realize the anticipated benefits of the proposed acquisitions will depend in part on PRG's ability to integrate HSA-Texas' United Kingdom operations into PRG's current United Kingdom operations in a timely and efficient manner. If PRG cannot successfully integrate such operations with its operations, PRG may not realize the expected benefits of the proposed acquisitions and PRG's financial results may be adversely affected.

THE ACQUISITIONS BY PRG OF BUSINESSES OUTSIDE OF ITS CORE BUSINESS OF ACCOUNTS PAYABLE AUDITING HAVE BEEN, IN GENERAL, FINANCIALLY AND OPERATIONALLY UNSUCCESSFUL.

The acquisitions by PRG of businesses outside of its core business of accounts payable auditing have been, in general, financially and operationally unsuccessful. As a result, on January 31, 2001, PRG announced that its 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 completed on October 30, 2001. In addition, on December 14, 2001, PRG consummated the sale of its French Taxation Services business for approximately $48.3 million. PRG will recognize a loss on the sale of approximately $54.0 million in the fourth quarter of 2001. While PRG believes that the acquisition of HSA-Texas and its affiliates is within its core business, there can be no assurance that PRG will be more successful in achieving financial and operational success with the proposed acquisitions than it was in previous non-core business acquisitions.

THE PROPOSED ACQUISITIONS MAY FAIL TO ACHIEVE BENEFICIAL SYNERGIES.

PRG and HSA-Texas believe that the proposed acquisitions will result in beneficial synergies between the parties and their respective recovery audit businesses. Factors that could cause the combined company to fail to achieve these anticipated synergies and potential benefits include:

- failure to retain clients of either company;

- PRG's ability to timely integrate the service and sales efforts of the combined company;

- the risk that the combined company may lose audit contracts from clients for whom PRG and HSA-Texas currently serve in both the first and second audit positions;

- failure to achieve operating and cost efficiencies in the combined company;

- the risk that it may be difficult to retain key management, marketing, and technical personnel; and

- competitive conditions and cyclicality in the audit recovery market.

Regardless of the outcome of the factors discussed above, there can be no assurance that the anticipated synergies will be achieved. The failure to achieve such synergies may affect the combined company's operating results and efficiencies and its ability to expand into existing and new recovery audit markets.

TRANSACTION COSTS OF THE PROPOSED ACQUISITIONS COULD ADVERSELY AFFECT COMBINED FINANCIAL RESULTS.

PRG 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.

SPECIAL CONSIDERATIONS RELATING TO PRG'S BUSINESS FOLLOWING THE PROPOSED ACQUISITIONS

PRG HAS VIOLATED ITS DEBT COVENANTS IN THE PAST AND MAY DO SO IN THE FUTURE.

As of September 30, 2001, PRG was not in compliance with certain financial ratio covenants in its credit facility. The existing covenant violations were waived by PRG's lenders in an amendment to the 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 PRG will not violate these covenants or the covenants of any replacement financing in the future, or that, if such violations occur, PRG's lenders will not elect to pursue their contractual remedies under the credit facility, including requiring the immediate repayment in full of all amounts outstanding. There can be no assurance that PRG can secure adequate or timely replacement financing to repay its lenders in the event of such a repayment demand.

PRG DEPENDS ON ITS LARGEST CLIENTS FOR SIGNIFICANT REVENUES, AND IF PRG LOSES A MAJOR CLIENT, PRG'S REVENUES COULD BE ADVERSELY AFFECTED.

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

PRG'S ANNOUNCED PLANNED DIVESTITURES MAY NOT ACHIEVE ANTICIPATED BENEFITS.

PRG has announced the planned divestiture of its Meridian VAT Reclaim business, its Communications Services segment, its Logistics Management Services segment, its Ship & Debit division within the Accounts Payable Services segment and its French Taxation Services segment. The Logistics Management Services and French Taxation Services segments have been sold. Although PRG is currently proceeding to complete the divestiture of the remaining discontinued operations, there is no guaranty that they can be completed on a timely basis, if at all, or that the businesses to be divested can be disposed of at the prices PRG anticipates. If PRG is 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, PRG may not achieve the anticipated benefits. For example, PRG may incur additional losses upon completion of the divestitures, PRG 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. In addition, 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 such businesses and therefore diminish expected operating results in these businesses. Any of these events or others could have a material adverse impact on PRG's business, results of operations and liquidity.

AS A RESULT OF THE SALE OF PRG'S FRENCH TAXATION SERVICES OPERATIONS, PRG WILL RECOGNIZE A SUBSTANTIAL AND MATERIAL NET LOSS IN THE FOURTH QUARTER OF 2001.

On December 14, 2001, PRG consummated the sale of its 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.

AN ADVERSE JUDGMENT IN THE SECURITIES ACTION LITIGATION IN WHICH PRG AND JOHN M. COOK ARE DEFENDANTS COULD HAVE A MATERIAL ADVERSE EFFECT ON PRG'S RESULTS OF OPERATIONS AND LIQUIDITY.

PRG and John M. Cook 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. A judgment against PRG in this case could have a material adverse effect on PRG's results of operations, stock price and liquidity, while a judgment against Mr. Cook could adversely affect his financial condition and therefore have a negative impact upon his performance as PRG's chief executive officer. Plaintiffs in this 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 PRG's 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 PRG's 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 PRG believes the alleged claims in this lawsuit are without merit and intends to defend the lawsuit vigorously, due to the inherent uncertainties of the litigation process and the judicial system, PRG is unable to predict the outcome of this litigation.

ADDITIONAL ACQUISITIONS OR FINANCING MAY DECREASE PRG SHAREHOLDERS' PERCENTAGE OWNERSHIP IN PRG AND REQUIRE PRG TO INCUR ADDITIONAL DEBT.

PRG may issue equity securities in future acquisitions or in connection with future financings, including any additional financings necessary to obtain lender consent to the proposed acquisitions. These issuances could be dilutive to PRG shareholders. PRG also may incur additional debt and amortization expense related to goodwill and other intangible assets in future acquisitions or in connection with debt or equity financing or a combination thereof. This additional debt and amortization expense may reduce significantly PRG's profitability and materially and adversely affect PRG's business, financial condition and results of operations.

PRG MAY NOT BE ABLE TO CONTINUE TO IDENTIFY A LARGER VOLUME OF RECOVERIES EACH YEAR FOR THE CLIENTS SERVED BY PRG'S RETAIL/WHOLESALE OPERATIONS.

For most clients served by PRG's retail/wholesale operations, PRG typically identifies a larger volume of recoveries each year as compared to recoveries realized in the immediately preceding year. There is no guaranty, however, that these larger recoveries will continue. If such recovery increases do not continue, PRG's revenues and operating results would be materially adversely affected. Factors that could prevent recoveries from increasing include advances in technology which significantly reduce the levels of client overpayments or an unexpected reversal of current trends toward the outsourcing of non-core competencies such as recovery audit services.

CLIENT AND VENDOR BANKRUPTCIES AND VENDOR CHARGEBACKS COULD REDUCE PRG'S EARNINGS.

PRG's clients generally operate in intensely competitive environments, and bankruptcy filings are not uncommon. Future bankruptcy filings by one or more of PRG's larger clients or significant vendor chargebacks by one or more of PRG's larger clients could have a material adverse effect on PRG's business, financial condition and results of operations.

PRG RELIES ON INTERNATIONAL OPERATIONS FOR SIGNIFICANT REVENUES.

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

- political and economic instability in the international markets served by PRG;

- difficulties in staffing and managing foreign operations and in collecting accounts receivable;

- fluctuations in currency exchange rates, particularly weaknesses in the Euro, the pound and other currencies of countries in which PRG transacts business, which could result in currency translation losses that materially reduce PRG's earnings;

- costs associated with adapting PRG's services to PRG's foreign clients' needs;

- unexpected changes in regulatory requirements and laws;

- difficulties in transferring earnings from PRG foreign subsidiaries to PRG; 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 PRG expects a significant portion of its revenues to come from international operations, the occurrence of any of the above events could materially and adversely affect PRG's business, financial condition and results of operations.

RECOVERY AUDIT SERVICES ARE NOT WIDELY USED IN INTERNATIONAL MARKETS.

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

PRG REQUIRES SIGNIFICANT MANAGEMENT AND FINANCIAL RESOURCES TO OPERATE AND EXPAND PRG'S RECOVERY AUDIT SERVICES INTERNATIONALLY.

In PRG's 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, PRG has encountered, and expects to continue to encounter, significant expense and delays in expanding PRG's international operations because of language and cultural differences, staffing, communications and related issues. PRG generally incurs 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 PRG's international expansion strategy will require substantial financial resources, PRG may incur additional indebtedness or issue additional equity securities which could be dilutive to PRG's shareholders. In addition, financing for international expansion may not be available to PRG on acceptable terms and conditions.

THE LEVEL OF PRG'S ANNUAL PROFITABILITY IS SIGNIFICANTLY AFFECTED BY ITS THIRD AND FOURTH QUARTER OPERATING RESULTS.

The purchasing and operational cycles of PRG's clients typically cause PRG to realize higher revenues and operating income in the last two quarters of its fiscal year. If PRG does not continue to realize increased revenues in future third and fourth quarter periods, PRG's profitability for any such quarter and the entire year could be materially and adversely affected because selling, general and administrative expenses are largely fixed over the short term.

PRG MAY BE UNABLE TO PROTECT AND MAINTAIN THE COMPETITIVE ADVANTAGE OF ITS PROPRIETARY TECHNOLOGY AND INTELLECTUAL PROPERTY RIGHTS.

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

PRG'S FAILURE TO RETAIN THE SERVICES OF MR. COOK COULD ADVERSELY IMPACT ITS CONTINUED SUCCESS.

PRG's continued success depends largely on the efforts and skills of its executive officers and key employees, particularly John M. Cook. PRG has entered into employment agreements with Mr. Cook and

other members of management. PRG also maintains key man life insurance policies in the aggregate amount of $13.3 million on the life of Mr. Cook. The loss of the services of Mr. Cook could materially adversely affect the combined company's business, financial condition and results of operations.

PRG MAY NOT BE ABLE TO CONTINUE TO COMPETE SUCCESSFULLY WITH OTHER BUSINESSES OFFERING RECOVERY AUDIT SERVICES.

The recovery audit business is highly competitive. PRG's principal competitors for accounts payable recovery audit services include many local and regional firms. Also, PRG believes 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. PRG is uncertain whether it can continue to compete successfully with its competitors. In addition, PRG's profit margins could decline because of competitive pricing pressures that may have a material adverse effect on the combined company's business, financial condition and results of operations.

PRG'S ARTICLES OF INCORPORATION, BYLAWS, AND SHAREHOLDERS' RIGHTS PLAN AND GEORGIA LAW MAY INHIBIT A TAKEOVER OF PRG.

PRG's articles of incorporation and bylaws and Georgia law contain provisions that may delay, deter or inhibit a future acquisition of PRG not approved by PRG's board of directors. This could occur even if PRG shareholders are offered an attractive value for their shares or if a substantial number or even a majority of PRG shareholders believe the takeover is in their best interest. These provisions are intended to encourage any person interested in acquiring PRG to negotiate with and obtain the approval of PRG's 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 PRG's employees, clients and creditors and the local community.

PRG's 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 PRG's shareholders. In addition, PRG has in place a "poison pill" shareholders' rights plan that will trigger a dilutive issuance of common stock upon substantial purchases of PRG's 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 the outstanding PRG common stock from being considered an acquiring person under the rights plan. These provisions also could discourage bids for shares of PRG's common stock at a premium and have a material adverse effect on the market price of PRG's shares.

THE PRICE OF PRG'S STOCK HAS BEEN VOLATILE AND COULD CONTINUE TO FLUCTUATE

SUBSTANTIALLY.

PRG's common stock is traded on The Nasdaq National Market. The market price of PRG's common stock has been volatile, has fluctuated substantially and could continue to do so, based on a variety of factors, including the following:

- future announcements concerning PRG or its key clients or competitors;

- technological innovations;

- government regulations;

- litigation; or

- changes in earnings estimates by analysts or the publication of negative reports by analysts about PRG.

Furthermore, stock prices for many companies fluctuate widely for reasons that may be unrelated to their operating results. These fluctuations and general economic, political and market conditions, such as recessions or international currency fluctuations and demand for PRG's services, may adversely affect the market price of the combined company's common stock.

PRG'S FURTHER EXPANSION INTO ELECTRONIC COMMERCE AUDITING STRATEGIES AND PROCESSES MAY NOT BE PROFITABLE.

PRG anticipates a growing need for recovery auditing services among current clients migrating to internet-based procurement, and among potential clients already engaged in electronic commerce transactions. In response to future demand for PRG's recovery auditing expertise, PRG intends to further expand into internet technology areas in the near future and may make substantial financial investments to do so. The profitability of these investments can not be assured nor can the demand for these services be fully anticipated.

FORWARD-LOOKING STATEMENTS MAY PROVE INACCURATE

PRG and HSA-Texas have made forward-looking statements in this proxy statement about PRG and HSA-Texas and the combined company that are subject to risks and uncertainties. Any statements contained in this proxy statement that are not statements of historical or current fact may be deemed forward-looking statements. Forward-looking statements may be identified by such words as "could," "may," "might," "will," "would," "shall," "should," "pro forma," "potential," "pending," "plans," "anticipates," "believes," "estimates," "expects," "intends" or similar expressions, including the negative of any of the foregoing. Some of the forward-looking statements contained in this proxy statement include:

- statements regarding the expected completion date and purchase price of the acquisition of the business of Howard